WJCT, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2015 AND 2014

WJCT, INC. AND AFFILIATES
TABLE OF CONTENTS
SEPTEMBER 30, 2015 AND 2014

James Moore
Certified Public Accountants and Consultants

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, 2015 and 2014, 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 Consolidated 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.

121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386/257-4100
Fax: 386/255-3261
dab@jmco.com

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352/378-1331
Fax: 352/372-3741
gnv@jmco.com

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850/386-6184
Fax: 850/422-2074
tlh@jmco.com

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Station as of September 30, 2015 and 2014, 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 Matters

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 January 21, 2016, 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
January 21, 2016

WJCT, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2015 AND 2014

ASSETS

	2015	2014
Current assets		
Cash and cash equivalents	$ 187,337	$ 214,647
Accounts receivable, net	247,699	465,005
Grants receivable	85,000	-
Broadcasting rights, current portion	610,149	567,153
Prepaid expenses	120,063	80,750
Total current assets	1,250,248	1,327,555
Noncurrent assets		
Property and equipment, net	7,979,322	8,742,847
Broadcasting rights, less current portion	224,656	212,523
Investments	-	932,149
Beneficial interest in perpetual trust	140,427	155,705
Total other assets	8,344,405	10,043,224
Total Assets	$ 9,594,653	$ 11,370,779

LIABILITIES AND NET ASSETS

	2015	2014
Current liabilities		
Current portion of long-term debt	$ 166,375	$ 913,397
Line of credit	150,000	60,000
Current portion of capital lease	48,836	45,419
Accounts payable and accrued expenses	1,215,029	1,123,598
Accrued salaries and wages	178,398	238,655
Deferred support and revenue	628,716	684,803
Total current liabilities	2,387,354	3,065,872
Long-term liabilities		
Long-term debt, less current portion	161,048	335,254
Capital lease, less current portion	139,486	189,124
Total long-term liabilities	300,534	524,378
Total liabilities	2,687,888	3,590,250
Net assets		
Unrestricted	1,062,585	1,293,003
Temporarily restricted:		
For Festival Park premises and PECO grant improvements	5,703,753	5,991,046
For support of programming and production	140,427	296,480
Total temporarily restricted	5,844,180	6,287,526
Permanently restricted:		
For support of programming and production	-	200,000
Total net assets	6,906,765	7,780,529
Total Liabilities and Net Assets	$ 9,594,653	$ 11,370,779

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, 2015 AND 2014

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue								
Support								
Grants	$ 2,056,829	$ -	$ -	$ 2,056,829	$ 2,200,782	$ -	$ -	$ 2,200,782
Membership income	1,617,613	-	-	1,617,613	1,637,195	-	-	1,637,195
Other	119,177	-	-	119,177	105,427	-	-	105,427
Total support	3,793,619	-	-	3,793,619	3,943,404	-	-	3,943,404
Revenue								
Underwriting	1,930,140	-	-	1,930,140	1,702,081	-	-	1,702,081
Production	64,485	-	-	64,485	40,276	-	-	40,276
Investment gain	48,591	1,380	-	49,971	38,384	11,249	-	49,633
Change in value of beneficial interest in perpetual trust	-	(9,435)	-	(9,435)	-	7,095	-	7,095
Master control service	1,093,754	-	-	1,093,754	784,178	-	-	784,178
Other	778,862	-	-	778,862	925,704	-	-	925,704
Total revenue	3,915,832	(8,055)	-	3,907,777	3,490,623	18,344	-	3,508,967
Total support and revenue	7,709,451	(8,055)	-	7,701,396	7,434,027	18,344	-	7,452,371
Net assets released from restrictions								
Satisfaction of activity restrictions	635,291	(435,291)	(200,000)	-	304,572	(304,572)	-	-
Total support and revenue after release from restrictions	8,344,742	(443,346)	(200,000)	7,701,396	7,738,599	(286,228)	-	7,452,371
Expenses (Exhibit I)								
Program services								
Programming and production	2,818,911	-	-	2,818,911	3,133,309	-	-	3,133,309
Broadcasting	3,299,261	-	-	3,299,261	2,848,740	-	-	2,848,740
Program information and promotion	176,355	-	-	176,355	164,980	-	-	164,980
Total program services	6,294,527	-	-	6,294,527	6,147,029	-	-	6,147,029
Supporting Services								
Fundraising and membership development	868,767	-	-	868,767	911,291	-	-	911,291
Underwriting and grant solicitation	930,448	-	-	930,448	809,240	-	-	809,240
Management and general	481,418	-	-	481,418	546,175	-	-	546,175
Total supporting services	2,280,633	-	-	2,280,633	2,266,706	-	-	2,266,706
Total expenses	8,575,160	-	-	8,575,160	8,413,735	-	-	8,413,735
Decrease in net assets	(230,418)	(443,346)	(200,000)	(873,764)	(675,136)	(286,228)	-	(961,364)
Net assets, beginning of year	1,293,003	6,287,526	200,000	7,780,529	1,968,139	6,573,754	200,000	8,741,893
Net assets, end of year	$ 1,062,585	$ 5,844,180	$ -	$ 6,906,765	$ 1,293,003	$ 6,287,526	$ 200,000	$ 7,780,529

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, 2015 AND 2014

	2015	2014
Cash flows from operating activities		
Cash received from grants, donors and fundraising activities	$ 7,611,266	$ 7,578,946
Cash paid to suppliers and employees	(7,639,201)	(7,361,711)
Cash paid for interest	(42,346)	(51,189)
Net cash provided by (used in) operating activities	(70,281)	166,046
Cash flows from investing activities		
Purchases of property and equipment	(74,179)	(492,229)
Proceeds on sales of investments	1,386,457	14,944
Purchases of investments	(397,701)	(53,352)
Distributions from beneficial interest in perpetual trust	5,843	1,897
Net cash provided by (used in) investing activities	920,420	(528,740)
Cash flows from financing activities		
Proceeds from issuance of long-term debt	365,743	1,700,877
Principal payments on long-term debt	(1,286,971)	(1,495,329)
Proceeds from capital leases	-	244,171
Principal payments on capital leases	(46,221)	(14,049)
Proceeds from line of credit	390,000	250,000
Payments on line of credit	(300,000)	(340,000)
Net cash provided by (used in) financing activities	(877,449)	345,670
Net decrease in cash and cash equivalents	(27,310)	(17,024)
Cash and cash equivalents, beginning of year	214,647	231,671
Cash and cash equivalents, end of year	$ 187,337	$ 214,647
Reconciliation of decrease in net assets to net cash provided by (used in) operating activities:		
Decrease in net assets	$ (873,764)	$ (961,364)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Depreciation	837,704	849,925
Unrealized (gains) losses on investments	10,057	(53,113)
Realized gains on investments	(57,229)	(3,617)
Decrease (increase) in certain assets:		
Accounts receivable	217,306	(123,606)
Grants receivable	(85,000)	181,678
Broadcasting rights	(55,129)	13,685
Prepaid expenses	(39,313)	(10,849)
Increase (decrease) in certain liabilities:		
Accounts payable and accrued expenses	91,431	(2,650)
Accrued salaries and wages	(60,257)	47,344
Deferred support and revenue	(56,087)	228,613
Total adjustments	803,483	1,127,410
Net cash provided by (used in) operating activities	$ (70,281)	$ 166,046

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, 2015 and 2014, 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 14). 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) **Investments**—Investments are carried at fair value, and realized and unrealized gains and losses are reflected in the consolidated statements of activities. See Note 2 for further information on fair value reporting.

(f) **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 $10,000 and $14,000 at September 30, 2015 and 2014, respectively.

(g) **Grants receivable—**For the year ended September 30, 2015, 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.

(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 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.

(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.

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

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.

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

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

(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**—WJCT and the Foundation are generally exempt from income taxes under 501(c)(3) and JCT Services is an LLC, wholly owned by WJCT and considered a disregarded entity for income tax purposes. All activity of JCT Services is included on the tax return of WJCT. The activities of the Station which cause imposition of the unrelated business income tax provision have not resulted in significant income tax amounts. For the years ended September 30, 2015 and 2014, the Station incurred net operating losses and, accordingly, no provision for income taxes has been recorded. In addition, no benefit for income taxes has been recorded due to the uncertainty of the realization of any tax assets. For the years ended September 30, 2015 and 2014, the Station had federal net operating losses of approximately $2,500,000 and $1,900,000, respectively.

As of September 30, 2015 and 2014, the deferred tax assets consist of net operating loss carryforwards totaling approximately $6,800,000 and $4,300,000, respectively. The net operating loss carryforwards, if not utilized, will begin to expire in 2025. Based on the available objective evidence, including the Station's history of losses, management believes it is more likely than not that the net deferred tax assets will not be fully realizable. Accordingly, the Station provided for a full valuation allowance against its net deferred tax assets at September 30, 2015 and 2014 and the net deferred tax assets at September 30, 2015 and 2014, were zero.

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.

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

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

(s) **Advertising costs**—Advertising costs are expensed in the period in which they are incurred. Advertising expense for the years ended September 30, 2015 and 2014, was $389,973 and $361,109, respectively.

(t) **Subsequent events**—The Station has evaluated events and transactions through January 21, 2016, the date the financial statements were available to be issued.

(2) **Investments and Fair Value Measurements:**

Investments are carried at fair value on the consolidated statements of financial position, and realized and unrealized gains and losses are reflected in the consolidated statements of activities. Mutual funds were liquidated during fiscal year 2015 and the balances were zero at September 30, 2015. The following is a summary of investments at September 30, 2014:

	Cost	Fair Value
Mutual funds	$ 826,277	$ 932,149

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.

(2) **Investments and Fair Value Measurements:** (Continued)

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.

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, 2015 and 2014.

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, 2015 and 2014:

	Assets at Fair Value as of September 30, 2015			
	Level 1	Level 2	Level 3	Total
Beneficial interest in a perpetual trust	$ -	$ 140,427	$ -	$ 140,427
Total assets at fair value	$ -	$ 140,427	$ -	$ 140,427

	Assets at Fair Value as of September 30, 2014			
	Level 1	Level 2	Level 3	Total
Investments				
Mutual funds				
Fixed income	$ 171,968	$ -	$ -	$ 171,968
Small value	42,232	-	-	42,232
Medium growth	104,840	-	-	104,840
Large blend	226,091	-	-	226,091
Large value	387,018	-	-	387,018
Beneficial interest in a perpetual trust	-	155,705	-	155,705
Total assets at fair value	$ 932,149	$ 155,705	$ -	$ 1,087,854

(3) 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, 2015 and 2014, is valued based on the fair market value of the Station's share of the underlying assets held by the trust.

(4) Property and Equipment:

A summary of property and equipment at September 30, 2015 and 2014, is as follows:

	2015	2014
Land	$ 87,760	$ 87,760
Buildings and improvements	14,456,672	14,456,672
Broadcast and other equipment	15,980,069	15,905,890
	30,524,501	30,450,322
Less: Accumulated depreciation	(22,545,179)	(21,707,475)
	$ 7,979,322	$ 8,742,847

For the years ended September 30, 2015 and 2014, depreciation expense for property and equipment was $837,704 and $849,925, respectively. Depreciation expense related to assets leased under capital leases was $47,466 and $10,207 for the years ended September 30, 2015 and 2014, respectively.

(5) 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.

(5) **Festival Park Premises:** (Continued)

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, 2015. Depreciation expense related to the facility was $210,737 for the years ended September 30, 2015 and 2014. Accumulated depreciation was $5,300,097 and $5,089,360 at September 30, 2015 and 2014, 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.

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

A summary of long-term debt as of September 30, 2015 and 2014, is as follows:

	2015	**2014**
Note payable to financial institution, payable on demand, with interest at LIBOR plus 2.5% (3.19% at September 30, 2015), collateralized by investments. Maximum amount is determined by formula at the financial institution's discretion, including the valuation and acceptability of collateral.	$ -	$ 511,468

	2015	**2014**
Note payable to financial institution, monthly payments, of $14,873, including interest of 4.55%, collateralized by equipment.	$ 327,423	$ 487,183
Note payable to financial institution, principal and interest of 6%, collateralized by JCT Services accounts receivable.	-	250,000
Total debt	327,423	1,248,651
Less: Current portion	(166,375)	(913,397)
Long-term debt	$ 161,048	$ 335,254

Maturities on long-term debt over the next five years as of September 30, 2015, are as follows:

Years Ended	**Amount**
2016	$ 166,375
2017	161,048
Thereafter	-
Total	$ 327,423

(7) Line of Credit:

As of September 30, 2015 and 2014, 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, 2015). The line of credit is collateralized by personal property. The outstanding balance on this line of credit at September 30, 2015 and September 30, 2014 was $150,000 and $60,000, respectively.

(8) Capital Leases:

The Station leases equipment under capital leases. As of September 30, 2015 and September 30, 2014, there were four capital lease agreements, two of which contain a bargain purchase option in the amount of one dollar at the end of the lease term.

The Station held assets recorded under capital leases with carrying values as follows:

	2015	2014
Equipment	$ 244,171	$ 244,171
Less: Accumulated depreciation	(57,673)	(10,207)
Net book value	$ 186,498	$ 233,964

Capital lease obligations consist of the following as of September 30, 2015 and 2014:

	2015	2014
Equipment lease with monthly payments of $1,980, including interest of 3.22%, due February 21, 2019. Lease collateralized by the leased equipment.	$ 78,533	$ 97,693
Equipment lease with monthly payments of $529, including interest of 3.67%, due October 8, 2019. Lease collateralized by the leased equipment.	88,365	109,023
Equipment lease with monthly payments of $187, including interest of 3.67%, due December 8, 2017. Lease collateralized by the leased equipment.	5,225	7,413
Equipment lease with monthly payments of $422, including interest of 6.36%, due on May 1, 2019. Lease collateralized by the leased equipment.	16,199	20,414
Total capital leases	188,322	234,543
Less: Current portion	(48,836)	(45,419)
Long-term portion of capital leases	$ 139,486	$ 189,124

(8) **Capital Leases:** (Continued)

The following is a schedule by years of future minimum payments required under the lease as of September 30, 2015:

Years Ending September 30:	Amount
2016	$ 55,032
2017	55,032
2018	53,214
2019	37,059
2020	1,976
Thereafter	-
Total future minimum payments	202,313
Less: amounts representing interest	(13,991)
Total future principal payment	$ 188,322

(9) **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, 2015 and 2014, 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. During the years ended September 30, 2015 and 2014, the CPB provided approximately 15% and 18%, and the Digital Convergence Alliance provided approximately 14% and 10%, respectively.

(10) **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 2013-14	Expended 2014-15	Uncommitted Balance at September 30, 2015
2014-16	$ 965,129	$ -	$ 965,129	$ -
2013-15	$ 938,428	$ 938,428	$ -	$ -

(11) **Lease Rental Income:**

The Station leases broadcast stations and transmitter tower space to unrelated third parties. Lease rental income totaled $169,809 and $290,736 for the years ended September 30, 2015 and 2014, 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 $168,000 as in-kind contributions related to this transaction for the years ended September 30, 2015 and 2014.

(12) **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, 2015 and 2014, the Station provided no matching contributions.

(13) **Nonfederal Financial Support (NFFS):**

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

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

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 $4,105,964 and $4,250,195 for the years ended September 30, 2015 and 2014, respectively.

(14) **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, pays 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. During the year ended September 30, 2015, WJCT paid $153,600 to the DCA for the provision of master control services. During the year ended September 30, 2014, WJCT paid the second half of the first quarter annual service fee of $51,200 to the DCA for additional costs of membership that are included in programming costs and $22,158 for ramp up fees for the period from October 2013 through March 2014.

If WJCT terminates its membership during the initial term from March 1, 2013 through February 28, 2018, the Station 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 provides operational, management, engineering, and maintenance services for the DCA in exchange for an annual service fee of $1,270,800, plus adjustments for any new members added.

JCT Services billed the DCA $105,386 and $369,300 for ramp up fees during the years ended September 30, 2015 and 2014, respectively. This amount is included in master control service revenue on the consolidated statements of activities.

SUPPLEMENTAL INFORMATION

WJCT, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(With summarized comparative totals for the year ended September 30, 2014)

	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 2015	Total Expenses 2014
Salaries, wages and benefits	$ 820,931	1,381,973	$ 150,444	$ 2,353,348	$ 392,277	$ 441,995	$ 407,581	$ 1,241,853	$ 3,595,201	$ 3,587,077
Occupancy	8,507	38,108	252	46,867	36,459	31,682	12,485	80,626	127,493	96,035
Programming costs	1,169,619	124,471	1,549	1,295,639	5,467	4,528	927	10,922	1,306,561	1,365,921
Repairs and maintenance	1,383	112,891	-	114,274	10,754	-	15,497	26,251	140,525	120,551
Travel and meetings	34,701	4,457	306	39,464	6,055	2,261	2,965	11,281	50,745	77,679
Advertising	30,520	-	8,298	38,818	514	350,469	172	351,155	389,973	361,109
Supplies and printing	11,083	16,239	8,583	35,905	135,291	28,012	3,302	166,605	202,510	118,761
Professional services	258,378	336,312	2,023	596,713	89,534	49,077	21,187	159,798	756,511	772,617
Supplies	-	6,439	45	6,484	136	-	4,701	4,837	11,321	14,021
Postage	14,763	14,499	2,422	31,684	12,544	418	1,337	14,299	45,983	44,749
Depreciation	132,981	688,100	-	821,081	8,311	-	8,312	16,623	837,704	849,925
Interest	-	42,346	-	42,346	-	-	-	-	42,346	51,189
Bad debts	5,222	-	-	5,222	-	20,566	-	20,566	25,788	25,169
In-kind	287,177	-	-	287,177	-	-	-	-	287,177	271,380
Membership maintenance	-	43	-	43	161,406	-	-	161,406	161,449	172,659
Utilities	28,090	274,530	2,433	305,053	10,019	1,440	2,952	14,411	319,464	318,216
Insurance	15,556	258,853	-	274,409	-	-	-	-	274,409	166,677
	$ 2,818,911	$ 3,299,261	$ 176,355	$ 6,294,527	$ 868,767	$ 930,448	$ 481,418	$ 2,280,633	$ 8,575,160	$ 8,413,735

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, 2015

ASSETS	WJCT, Inc.	WJCT Foundation, Inc.	JCT Services, LLC	Consolidating Entries	Consolidated
Current assets					
Cash and cash equivalents	$ 185,529	$ -	$ 1,808	$ -	$ 187,337
Accounts receivable, net	247,699	-	-	-	247,699
Due from related entities	64,854	-	-	(64,854)	-
Grants receivable	85,000	-	-	-	85,000
Broadcasting rights, current portion	610,149	-	-	-	610,149
Prepaid expenses	115,508	-	4,555	-	120,063
Total current assets	1,308,739	-	6,363	(64,854)	1,250,248
Noncurrent assets					
Property and equipment, net	7,958,506	-	20,816	-	7,979,322
Broadcasting rights, less current portion	224,656	-	-	-	224,656
Beneficial interest in perpetual trust	140,427	-	-	-	140,427
Total other assets	8,323,589	-	20,816	-	8,344,405
Total Assets	$ 9,632,328	$ -	$ 27,179	$ (64,854)	$ 9,594,653
LIABILITIES AND NET ASSETS					
Current liabilities					
Current portion of long-term debt	$ 166,375	$ -	$ -	$ -	$ 166,375
Line of credit	150,000	-	-	-	150,000
Current portion of capital lease	42,431	-	6,405	-	48,836
Accounts payable and accrued expenses	1,147,447	-	67,582	-	1,215,029
Due to related entities	-	-	64,854	(64,854)	-
Accrued salaries and wages	178,398	-	-	-	178,398
Deferred support and revenue	205,116	-	423,600	-	628,716
Total current liabilities	1,889,767	-	562,441	(64,854)	2,387,354
Long-term liabilities					
Long-term debt	161,048	-	-	-	161,048
Non-current portion of capital lease	124,467	-	15,019	-	139,486
Total long-term liabilities	285,515	-	15,019	-	300,534
Total liabilities	2,175,282	-	577,460	(64,854)	2,687,888
Net assets					
Unrestricted	1,612,866	-	(550,281)	-	1,062,585
Temporarily restricted:					
For Festival Park premises and PECO grant improvements	5,703,753	-	-	-	5,703,753
For support of programming and production	140,427	-	-	-	140,427
Total temporarily restricted	5,844,180	-	-	-	5,844,180
Permanently restricted:					
For support of programming and production	-	-	-	-	-
Total net assets	7,457,046	-	(550,281)	-	6,906,765
Total Liabilities and Net Assets	$ 9,632,328	$ -	$ 27,179	$ (64,854)	$ 9,594,653

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, 2015

	WJCT, Inc.	WJCT Foundation, Inc.	JCT Services, LLC	Consolidating Entries	Consolidated
Support and revenue					
Support					
Grants	$ 2,056,829	$ -	$ -	$ -	$ 2,056,829
Membership income	1,617,613	-	-	-	1,617,613
Other	119,177	-	-	-	119,177
Total support	3,793,619	-	-	-	3,793,619
Revenue					
Underwriting	1,930,140	-	-	-	1,930,140
Production	64,485	-	-	-	64,485
Investment gains	-	49,971	-	-	49,971
Change in value of beneficial interest in perpetual trust	(9,435)	-	-	-	(9,435)
Master control service	4,355	-	1,089,399	-	1,093,754
Other	775,277	3,585	-	-	778,862
Total revenue	2,764,822	53,556	1,089,399	-	3,907,777
Total support and revenue	6,558,441	53,556	1,089,399	-	7,701,396
Expenses (Exhibit I)					
Program services					
Programming and production	2,818,911	-	-	-	2,818,911
Broadcasting	1,961,871	-	1,337,390	-	3,299,261
Program information and promotion	176,355	-	-	-	176,355
Total program services	4,957,137	-	1,337,390	-	6,294,527
Supporting services					
Fundraising and membership development	868,767	-	-	-	868,767
Underwriting and grant solicitation	930,448	-	-	-	930,448
Management and general	480,103	1,315	-	-	481,418
Total supporting services	2,279,318	1,315	-	-	2,280,633
Total expenses	7,236,455	1,315	1,337,390	-	8,575,160
Transfers	1,005,865	(1,005,865)	-	-	-
Increase (decrease) in net assets	327,851	(953,624)	(247,991)	-	(873,764)
Net assets, beginning of year	7,129,195	953,624	(302,290)	-	7,780,529
Net assets, end of year	$ 7,457,046	$ -	$ (550,281)	$ -	$ 6,906,765

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, 2015

City of Jacksonville Grant Funding for Fiscal Year 2014/2015 Audit:

Receipt of City Funds:	City FY 2013-2014 Cultural Council Grant	City FY 2014-2015 Cultural Council Grant
Amount of Award (per City budget ordinance)	$ 304,373	$ 310,557
Actual Funds Received from City in Last Audit Period	(304,373)	-
Actual Amount Received This Period	-	(310,557)
Amount Remaining to be Distributed	$ -	$ -

Expenditures of City Funds:

City FY 2013-2014 Cultural Services Grant $304,373

Item	Budgeted	Actual 10/1/2013 - 9/30/2014	Remaining Balance
Program Costs	$ 304,373	$ 304,373	$ -

City FY 2014-2015 Cultural Services Grant $310,557

Item	Budgeted	Actual 10/1/2014 - 9/30/2015	Remaining Balance
Program Costs	$ 310,557	$ 310,557	$ -

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

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, 2015, 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 January 21, 2016.

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 opinion 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.

121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386/257-4100
Fax: 386/255-3261
dab@jmco.com

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352/378-1331
Fax: 352/372-3741
gnv@jmco.com

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850/386-6184
Fax: 850/422-2074
tlh@jmco.com

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
January 21, 2016