

WJCT, INC. AND AFFILIATES
CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

**WJCT, INC. AND AFFILIATES
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SEPTEMBER 30, 2014 AND 2013**

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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, 2014 and 2013, 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.

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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, 2014 and 2013, 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.

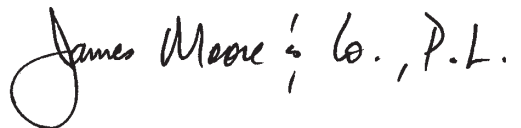
Other Matters

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of State Financial Assistance is presented for purposes of additional analysis as required by Section 215.97, Florida Statutes, Florida Single Audit Act, and Chapter 10.650, Rules of the Auditor General, and is not a required part of the consolidated financial statements. 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 14, 2015 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.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive, flowing style.

Gainesville, Florida
January 14, 2015

WJCT, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2014 AND 2013

ASSETS

	2014	2013
Current assets		
Cash and cash equivalents	\$ 214,647	\$ 231,671
Accounts receivable	465,005	341,399
Grants receivable	-	181,678
Broadcasting rights, current portion	567,153	574,381
Prepaid expenses	80,750	69,901
Total current assets	<u>1,327,555</u>	<u>1,399,030</u>
Noncurrent assets		
Property and equipment, net	8,742,847	9,100,543
Broadcasting rights, less current portion	212,523	218,980
Investments	932,149	844,107
Beneficial interest in perpetual trust	155,705	150,506
Total other assets	<u>10,043,224</u>	<u>10,314,136</u>
Total Assets	<u><u>\$ 11,370,779</u></u>	<u><u>\$ 11,713,166</u></u>

LIABILITIES AND NET ASSETS

Current liabilities		
Current portion of long-term debt	\$ 913,397	\$ 555,671
Line of credit	60,000	150,000
Current portion of capital lease	45,419	4,421
Accounts payable and accrued expenses	1,123,598	1,126,248
Accrued salaries and wages	238,655	191,311
Deferred support and revenue	684,803	456,190
Total current liabilities	<u>3,065,872</u>	<u>2,483,841</u>
Long-term liabilities		
Long-term debt, less current portion	335,254	487,432
Capital lease, less current portion	189,124	-
Total long-term liabilities	<u>524,378</u>	<u>487,432</u>
Total liabilities	<u>3,590,250</u>	<u>2,971,273</u>
Net assets		
Unrestricted	1,293,003	1,968,139
Temporarily restricted:		
For Festival Park premises and PECO grant improvements	5,991,046	6,278,339
For support of programming and production	296,480	295,415
Total temporarily restricted	<u>6,287,526</u>	<u>6,573,754</u>
Permanently restricted:		
For support of programming and production	200,000	200,000
Total net assets	<u>7,780,529</u>	<u>8,741,893</u>
Total Liabilities and Net Assets	<u><u>\$ 11,370,779</u></u>	<u><u>\$ 11,713,166</u></u>

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, 2014 AND 2013

	2014			2013				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue								
Support								
Grants	\$ 2,200,782	\$ -	\$ -	\$ 2,200,782	\$ 2,006,954	\$ -	\$ -	\$ 2,006,954
Membership income	1,637,195	-	-	1,637,195	1,380,477	-	-	1,380,477
Other	105,427	-	-	105,427	107,299	-	-	107,299
Total support	3,943,404	-	-	3,943,404	3,494,730	-	-	3,494,730
Revenue								
Underwriting	1,702,081	-	-	1,702,081	1,828,645	-	-	1,828,645
Production	40,276	-	-	40,276	60,155	-	-	60,155
Investment gain	38,384	11,249	-	49,633	12,670	8,483	-	21,153
Change in value of beneficial interest in perpetual trust	-	7,095	-	7,095	-	5,936	-	5,936
Master control service	784,178	-	-	784,178	279,119	-	-	279,119
Other	925,704	-	-	925,704	960,506	-	-	960,506
Total revenue	3,490,623	18,344	-	3,508,967	3,141,095	14,419	-	3,155,514
Total support and revenue	7,434,027	18,344	-	7,452,371	6,635,825	14,419	-	6,650,244
Net assets released from restrictions								
Satisfaction of activity restrictions	304,572	(304,572)	-	-	331,462	(331,462)	-	-
Total support and revenue after release from restrictions	7,738,599	(286,228)	-	7,452,371	6,967,287	(317,043)	-	6,650,244
Expenses (Exhibit I)								
Program services								
Programming and production	3,133,309	-	-	3,133,309	3,281,478	-	-	3,281,478
Broadcasting	2,848,740	-	-	2,848,740	2,340,012	-	-	2,340,012
Program information and promotion	164,980	-	-	164,980	155,826	-	-	155,826
Total program services	6,147,029	-	-	6,147,029	5,777,316	-	-	5,777,316
Supporting Services								
Fundraising and membership development	911,291	-	-	911,291	869,137	-	-	869,137
Underwriting and grant solicitation	809,240	-	-	809,240	865,598	-	-	865,598
Management and general	546,175	-	-	546,175	574,462	-	-	574,462
Total supporting services	2,266,706	-	-	2,266,706	2,309,197	-	-	2,309,197
Total expenses	8,413,735	-	-	8,413,735	8,086,513	-	-	8,086,513
Decrease in net assets	(675,136)	(286,228)	-	(961,364)	(1,119,226)	(317,043)	-	(1,436,269)
Net assets, beginning of year	1,968,139	6,573,754	200,000	8,741,893	3,087,365	6,890,797	200,000	10,178,162
Net assets, end of year	\$ 1,293,003	\$ 6,287,526	\$ 200,000	\$ 7,780,529	\$ 1,968,139	\$ 6,573,754	\$ 200,000	\$ 8,741,893

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, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Cash received from grants, donors and fundraising activities	\$ 7,578,946	\$ 6,673,536
Cash paid to suppliers and employees	(7,361,711)	(6,819,481)
Cash paid for interest	(51,189)	(42,239)
Net cash provided by (used in) operating activities	<u>166,046</u>	<u>(188,184)</u>
Cash flows from investing activities		
Purchases of property and equipment	(492,229)	(11,096)
Proceeds upon disposal of property and equipment	-	132,500
Proceeds on sales of investments	14,944	1,196,802
Purchases of investments	(53,352)	(1,234,460)
Distributions from beneficial interest in perpetual trust	1,897	4,463
Net cash provided by (used in) investing activities	<u>(528,740)</u>	<u>88,209</u>
Cash flows from financing activities		
Proceeds from issuance of long-term debt	1,700,877	141,025
Principal payments on long-term debt	(1,495,329)	(86,399)
Proceeds from capital leases	244,171	-
Principal payments on capital leases	(14,049)	(8,025)
Proceeds from line of credit	250,000	910,201
Payments on line of credit	(340,000)	(806,834)
Net cash provided by financing activities	<u>345,670</u>	<u>149,968</u>
Net increase (decrease) in cash and cash equivalents	<u>(17,024)</u>	<u>49,993</u>
Cash and cash equivalents, beginning of year	231,671	181,678
Cash and cash equivalents, end of year	<u>\$ 214,647</u>	<u>\$ 231,671</u>
Reconciliation of decrease in net assets to net cash provided by (used in) operating activities:		
Decrease in net assets	<u>\$ (961,364)</u>	<u>\$ (1,436,269)</u>
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Depreciation	849,925	920,070
Unrealized gains on investments	(53,113)	(3,913)
Realized gains on investments	(3,617)	(23,176)
Loss on disposal of property and equipment	-	91,746
Decrease (increase) in certain assets:		
Accounts receivable	(123,606)	69,023
Grants receivable	181,678	(167,344)
Broadcasting rights	13,685	(434,227)
Prepaid expenses	(10,849)	(9,708)
Increase (decrease) in certain liabilities:		
Accounts payable and accrued expenses	(2,650)	526,580
Accrued salaries and wages	47,344	28,033
Deferred support and revenue	228,613	251,001
Total adjustments	<u>1,127,410</u>	<u>1,248,085</u>
Net cash provided by (used in) operating activities	<u>\$ 166,046</u>	<u>\$ (188,184)</u>

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

WJCT, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

(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.

WJCT, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

(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 3 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 \$4,000 and \$10,000 at September 30, 2014 and 2013, respectively.

(g) **Grants receivable**—For the years ended September 30, 2014 and 2013, 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.

WJCT, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

(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.

WJCT, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

(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**—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**—Advertising costs are expensed in the period in which they are incurred. Advertising expense for the years ended September 30, 2014 and 2013, was \$361,109 and \$369,874, respectively.

(t) **Subsequent events**—The station has evaluated events and transactions through January 14, 2015, the date the financial statements were available to be issued.

WJCT, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

(2) **Investments:**

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. The following is a summary of investments at September 30, 2014:

	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	\$ 826,277	\$ 932,149

The following is a summary of investments at September 30, 2013:

	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	\$ 793,344	\$ 844,107

(3) **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.

WJCT, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

(3) **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, 2014 and 2013.

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, 2014 and 2013:

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	<u>\$ 932,149</u>	<u>\$ 155,705</u>	<u>\$ -</u>	<u>\$ 1,087,854</u>

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	<u>\$ 844,107</u>	<u>\$ 150,506</u>	<u>\$ -</u>	<u>\$ 994,613</u>

WJCT, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

(4) 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, 2014 and 2013, is valued based on the fair market value of the Station's share of the underlying assets held by the trust.

(5) Property and Equipment:

A summary of property and equipment at September 30, 2014 and 2013, is as follows:

	<u>2014</u>	<u>2013</u>
Land	\$ 87,760	\$ 87,760
Buildings and improvements	14,456,672	14,456,672
Broadcast and other equipment	15,905,890	15,413,662
	<u>30,450,322</u>	<u>29,958,094</u>
Less: Accumulated depreciation	<u>(21,707,475)</u>	<u>(20,857,551)</u>
	<u>\$ 8,742,847</u>	<u>\$ 9,100,543</u>

For the years ended September 30, 2014 and 2013, depreciation expense for property and equipment was \$849,925 and \$920,070, respectively. Depreciation expense related to assets leased under capital leases was \$6,968 and \$4,735 for the years ended September 30, 2014 and 2013, respectively.

(6) 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.

WJCT, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

(6) **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, 2014. Depreciation expense related to the facility was \$210,737 for the years ended September 30, 2014 and 2013. Accumulated depreciation was \$4,878,624 and \$5,089,360 at September 30, 2014 and 2013, 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.

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

A summary of long-term debt as of September 30, 2014 and 2013, is as follows:

	<u>2014</u>	<u>2013</u>
Note payable to financial institution, payable on demand, with interest at LIBOR plus 2.5% (3.07% at September 30, 2014), collateralized by investments. Maximum amount is determined by formula at the financial institution's discretion, including the valuation and acceptability of collateral.	\$ 511,468	\$ 403,472
Note payable to financial institution, monthly payments, beginning March 7, 2013, of \$14,873, including interest of 4.55%, collateralized by equipment.	487,183	639,631
Note payable to financial institution, principal and interest of 6% due December 24, 2014, collateralized by JCT Services accounts receivable.	<u>250,000</u>	<u>-</u>
Total debt	1,248,651	1,043,103
Less: Current portion	<u>(913,397)</u>	<u>(555,671)</u>
Long-term debt	<u>\$ 335,254</u>	<u>\$ 487,432</u>

Maturities on long-term debt over the next five years as of September 30, 2014, are as follows:

<u>Years Ended</u>	<u>Amount</u>
2015	\$ 920,456
2016	166,375
2017	161,820
2018	-
Thereafter	-
Total	<u>\$ 1,248,651</u>

WJCT, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

(8) Line of Credit:

As of September 30, 2014 and 2013, 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, 2014). The line of credit is collateralized by personal property. The outstanding balance on this line of credit at September 30, 2014 and September 30, 2013 was \$60,000 and \$150,000, respectively.

(9) Capital Leases:

The Station leases equipment under capital leases. There were four capital lease agreements as of September 30, 2014, two of which contain a bargain purchase option in the amount of one dollar at the end of the lease term. As of September 30, 2013, there was one capital lease agreement with a bargain purchase option of one dollar at the end of the lease term.

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

	2014	2013
Equipment	\$ 213,541	\$ 23,674
Less: Accumulated depreciation	(6,968)	(15,783)
Net book value	<u>\$ 206,573</u>	<u>\$ 7,891</u>

Capital lease obligations consist of the following as of September 30, 2014 and 2013:

	2014	2013
Equipment lease with monthly payments of \$701, including interest of 3.33%, due April 21, 2014. Lease collateralized by the leased equipment.	\$ -	\$ 4,421
Equipment lease with monthly payments of \$1,980, including interest of 3.22%, due February 21, 2019. Lease collateralized by the leased equipment.	97,693	-
Equipment lease with monthly payments of \$529, including interest of 3.67%, due October 8, 2019. Lease collateralized by the leased equipment.	109,023	-
Equipment lease with monthly payments of \$187, including interest of 3.67%, due December 8, 2017. Lease collateralized by the leased equipment.	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.	20,414	-
Total capital leases	234,543	4,421
Less: Current portion	(45,419)	(4,421)
Long-term portion of capital leases	<u>\$ 189,124</u>	<u>\$ -</u>

WJCT, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

(9) **Capital Leases:** (Continued)

The following is a schedule by years of future minimum payments required under the lease as of September 30, 2014:

<u>Years Ending September 30:</u>	<u>Amount</u>
2015	\$ 53,050
2016	55,032
2017	55,032
2018	55,214
2019	37,059
Thereafter	1,976
Total future minimum payments	257,363
Less: amounts representing interest	(22,820)
Total future principal payment	<u>\$ 234,543</u>

(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, 2014 and 2013, 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, 2014 and 2013, and the Department of Education, State of Florida provided approximately 8% and 6%, 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:

<u>Year of Grant</u>	<u>Grants Received</u>	<u>Expended 2012-13</u>	<u>Expended 2013-14</u>	<u>Uncommitted Balance at September 30, 2014</u>
2013-14	\$ 938,428	\$ -	\$ 938,428	\$ -
2012-13	\$ 977,490	\$ 977,490	\$ -	\$ -

WJCT, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

(12) Lease Rental Income:

The Station leases broadcast stations and transmitter tower space to unrelated third parties. Lease rental income totaled \$290,736 and \$161,783 for the years ended September 30, 2014 and 2013, 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, 2014 and 2013.

(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, 2014 and 2013, 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 \$4,250,195 and \$4,142,002 for the years ended September 30, 2014 and 2013, 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

WJCT, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

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

members added. 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, 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 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 \$369,300 for ramp up fees during the year ended September 30, 2014. This amount is included in master control service on the consolidated statements of activities.

SUPPLEMENTAL INFORMATION

WJCT, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(With summarized comparative totals for the year ended September 30, 2013)

	Program Services			Supporting Services				Total Expenses 2014	Total Expenses 2013
	Programming and Production	Broadcasting	Program Information and Promotion	Total	Fundraising and Membership Development	Underwriting and Grant Solicitation	Management and General		
Salaries, wages and benefits	\$ 993,841	1,175,570	\$ 133,133	\$ 2,302,544	\$ 445,899	\$ 434,857	\$ 403,777	\$ 3,587,077	\$ 3,078,209
Occupancy	18,353	34,698	1,253	54,304	34,407	-	7,324	96,035	121,747
Programming costs	1,264,672	64,565	2,656	1,331,893	4,927	13,163	15,938	1,365,921	1,711,329
Repairs and maintenance	1,850	100,447	-	102,297	10,362	1,453	6,439	120,551	89,996
Travel and meetings	48,950	14,120	1,400	64,470	4,690	1,935	6,584	77,679	69,080
Advertising	6,667	493	12,857	20,017	5,880	335,129	83	361,109	369,874
Supplies and printing	11,586	14,982	5,761	32,329	82,994	888	2,550	118,761	205,995
Professional services	319,626	281,359	2,994	603,979	99,576	19,839	49,223	772,617	463,559
Supplies	-	4,180	54	4,234	164	497	9,126	14,021	6,437
Postage	14,633	7,192	2,605	24,430	18,308	-	2,011	44,749	41,646
Depreciation	134,355	691,807	-	826,162	8,397	-	15,366	849,925	920,070
Interest	-	48,117	-	48,117	-	-	3,072	51,189	42,239
Bad debts	3,400	-	-	3,400	-	-	21,769	25,169	40,785
In-kind	271,380	-	-	271,380	-	-	-	271,380	260,018
Membership maintenance	2	75	-	77	172,567	-	15	172,659	135,313
Utilities	27,844	260,607	2,267	290,718	23,120	1,479	2,899	318,216	275,173
Insurance	16,150	150,528	-	166,678	-	-	-	166,678	163,299
Loss on disposal of property and equipment	-	0	-	-	-	-	-	-	91,744
	<u>\$ 3,133,309</u>	<u>\$ 2,848,740</u>	<u>\$ 164,980</u>	<u>\$ 6,147,029</u>	<u>\$ 911,291</u>	<u>\$ 809,240</u>	<u>\$ 546,176</u>	<u>\$ 8,413,736</u>	<u>\$ 8,086,513</u>

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, 2014

ASSETS

	WJCT, Inc.	WJCT Foundation, Inc.	JCT Services, LLC	Consolidating Entries	Consolidated
Current assets					
Cash and cash equivalents	\$ 184,836	\$ 19,567	10,244	\$ -	\$ 214,647
Accounts receivable	194,950	-	270,055	-	465,005
Due from related entities	230,965	2,047	85,000	(318,012)	-
Grants receivable	-	-	-	-	-
Broadcasting rights, current portion	567,153	-	-	-	567,153
Prepaid expenses	75,652	-	5,098	-	80,750
Total current assets	1,253,556	21,614	370,397	(318,012)	1,327,555
Noncurrent assets					
Property and equipment, net	8,715,456	-	27,391	-	8,742,847
Broadcasting rights, less current portion	212,523	-	-	-	212,523
Investments	-	932,149	-	-	932,149
Beneficial interest in perpetual trust	155,705	-	-	-	155,705
Total other assets	9,083,684	932,149	27,391	-	10,043,224
Total Assets	\$ 10,337,240	\$ 953,763	\$ 397,788	\$ (318,012)	\$ 11,370,779

LIABILITIES AND NET ASSETS

Current liabilities					
Current portion of long-term debt	\$ 913,397	\$ -	\$ -	\$ -	\$ 913,397
Line of credit	60,000	-	-	-	60,000
Current portion of capital lease	39,352	-	6,067	-	45,419
Accounts payable and accrued expenses	1,121,794	-	1,804	-	1,123,598
Due to related entities	87,047	139	230,826	(318,012)	-
Accrued salaries and wages	238,655	-	-	-	238,655
Deferred support and revenue	245,182	-	439,621	-	684,803
Total current liabilities	2,705,427	139	678,318	(318,012)	3,065,872
Long-term liabilities					
Long-term debt	335,254	-	-	-	335,254
Non-current portion of capital lease	167,364	-	21,760	-	189,124
Total long-term liabilities	502,618	-	21,760	-	524,378
Total liabilities	3,208,045	139	700,078	(318,012)	3,590,250
Net assets					
Unrestricted	982,444	612,849	(302,290)	-	1,293,003
Temporarily restricted:					
For Festival Park premises and PECO grant improvements	5,991,046	-	-	-	5,991,046
For support of programming and production	155,705	140,775	-	-	296,480
Total temporarily restricted	6,146,751	140,775	-	-	6,287,526
Permanently restricted:					
For support of programming and production	-	200,000	-	-	200,000
Total net assets	7,129,195	953,624	(302,290)	-	7,780,529
Total Liabilities and Net Assets	\$ 10,337,240	\$ 953,763	\$ 397,788	\$ (318,012)	\$ 11,370,779

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, 2014

	WJCT, Inc.	WJCT Foundation, Inc.	JCT Services, LLC	Consolidating Entries	Consolidated
Support and revenue					
Support					
Grants	\$ 2,200,782	\$ -	\$ -	\$ -	\$ 2,200,782
Membership income	1,637,195	-	-	-	1,637,195
Other	103,380	2,047	-	-	105,427
Total support	<u>3,941,357</u>	<u>2,047</u>	<u>-</u>	<u>-</u>	<u>3,943,404</u>
Revenue					
Underwriting	1,702,081	-	-	-	1,702,081
Production	40,276	-	-	-	40,276
Investment gains	-	49,633	-	-	49,633
Change in value of beneficial interest in perpetual trust	7,096	-	-	-	7,096
Master control service	91,050	-	693,128	-	784,178
Other	878,203	47,501	-	-	925,704
Total revenue	<u>2,718,706</u>	<u>97,134</u>	<u>693,128</u>	<u>-</u>	<u>3,508,968</u>
Total support and revenue	<u>6,660,063</u>	<u>99,181</u>	<u>693,128</u>	<u>-</u>	<u>7,452,372</u>
Expenses (Exhibit I)					
Program services					
Programming and production	3,133,309	-	-	-	3,133,309
Broadcasting	1,853,322	-	995,418	-	2,848,740
Program information and promotion	164,980	-	-	-	164,980
Total program services	<u>5,151,611</u>	<u>-</u>	<u>995,418</u>	<u>-</u>	<u>6,147,029</u>
Supporting services					
Fundraising and membership development	911,291	-	-	-	911,291
Underwriting and grant solicitation	809,240	-	-	-	809,240
Management and general	536,738	9,438	-	-	546,176
Total supporting services	<u>2,257,269</u>	<u>9,438</u>	<u>-</u>	<u>-</u>	<u>2,266,707</u>
Total expenses	<u>7,408,880</u>	<u>9,438</u>	<u>995,418</u>	<u>-</u>	<u>8,413,736</u>
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	<u>(748,817)</u>	<u>89,743</u>	<u>(302,290)</u>	<u>-</u>	<u>(961,364)</u>
Net assets, beginning of year	<u>7,878,012</u>	<u>863,881</u>	<u>-</u>	<u>-</u>	<u>8,741,893</u>
Net assets, end of year	<u>\$ 7,129,195</u>	<u>\$ 953,624</u>	<u>\$ (302,290)</u>	<u>\$ -</u>	<u>\$ 7,780,529</u>

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, 2014

City of Jacksonville Grant Funding for Fiscal Year 2013/2014 Audit:

Receipt of City Funds:

	City FY 2012-2013 Cultural Council Grant	City FY 2013-2014 Cultural Council Grant
Amount of Award (per City budget ordinance)	\$ 307,656	\$ 304,373
Actual Funds Received from City in Last Audit Period	(307,656)	-
Actual Amount Received This Period	-	(304,373)
Amount Remaining to be Distributed	<u>\$ -</u>	<u>\$ -</u>

Expenditures of City Funds:

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

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

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

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

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

WJCT, INC. AND AFFILIATES
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

<u>State Grantor/Pass Through Grantor/Program Title</u>	<u>CSFA Number</u>	<u>Grantor's Contract Number</u>	<u>Program Award Amount</u>	<u>Expenditures</u>
Florida Department of Education				
Florida TV Community Service Grant '13-14	48.056	169-99241-4Q001	\$ 307,447	\$ 230,585
Florida TV Community Service Grant '14-15	48.056	169-99241-5Q001	307,447	76,862
Florida Radio Community Service Grant '13-14	48.056	169-99790-4Q001	313,016	229,292
Florida Radio Community Service Grant '14-15	48.056	169-99790-5Q001	100,000	25,000
Total Florida Department of Education			<u>1,027,910</u>	<u>561,739</u>
Total State Financial Assistance			<u><u>\$ 1,027,910</u></u>	<u><u>\$ 561,739</u></u>

Note 1: Summary of Significant Accounting Policies - the Schedule of Expenditures of State Financial Assistance utilize the same basis of accounting as the consolidated financial statements.

Note 2: All awards were received by WJCT, Inc.

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, 2014, 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 14, 2015.

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.

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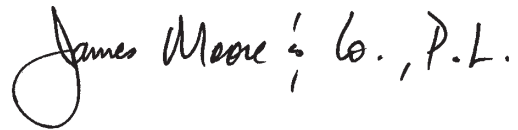
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Compliance and Other Matters

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.

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive style with a large, stylized initial "J" and "M".

Gainesville, Florida
January 14, 2015

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE
PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
CHAPTER 10.650, RULES OF THE AUDITOR GENERAL**

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

Report on Compliance for Each Major State Project

We have audited the compliance of WJCT, Inc. and Affiliate (the Station) with the types of compliance requirements described in the *Department of Financial Services'* State Projects Compliance Supplement that could have a direct and material effect on each of the Station's major State projects for the year ended September 30, 2014. The Station's major State projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Station's major State projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; Audits of States, Local Governments, and Non-Profit Organizations; and Chapter 10.650, Rules of the Auditor General. Those standards and Chapter 10.650, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major State project occurred. An audit includes examining, on a test basis, evidence about the Station's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State project. However, our audit does not provide a legal determination of the Station's compliance.

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Opinion on Each Major State Project

In our opinion, the Station complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major State projects for the year ended September 30, 2014.

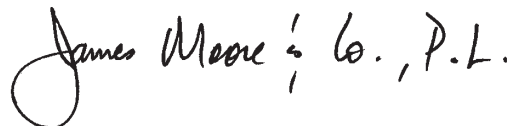
Report on Internal Control over Compliance

Management of the Station is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Station's internal control over compliance with the types of requirements that could have a direct and material effect on each major State project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State project and to test and report on internal control over compliance in accordance with Section 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Station's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Section 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive style with a large, looping initial "J".

Gainesville, Florida
January 14, 2015

**WJCT, INC. AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

I. Summary of Auditors' Results:

Financial Statements:

- Type of audit report issued on the consolidated financial statements: Unmodified
- No material weaknesses related to internal control over financial reporting were disclosed by the audit of the basic financial statements.
- No instances of noncompliance material to the consolidated financial statements were disclosed during the audit.

State Financial Assistance:

- No material weaknesses or significant deficiencies related to internal control over major state projects were disclosed by the audit.
- Type of report issued on compliance for major state projects: Unmodified
- The audit disclosed no audit findings which are required to be reported under Chapter 10.650, Rules of the Auditor General.
- Major state program identification:

CSFA Number 48.056 – Florida Community Service Grant
- The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.

II. Financial Statement Findings:

No financial statement findings were noted.

III. State Projects Findings and Questioned Costs:

No state projects findings were noted.

IV. Prior Audit Findings:

No prior audit findings were noted.

V. Corrective Action Plan:

No corrective action plan has been prepared since there are no findings reported for which a corrective action plan is required.