WJCT, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

WJCT, INC. AND AFFILIATES
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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, 2016 and 2015, 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, 2016 and 2015, 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 18, 2017, 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 18, 2017

WJCT, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2016 AND 2015

	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 226,315	$ 187,337
Accounts receivable, net	215,699	247,699
Grants receivable	-	85,000
Broadcasting rights, current portion	629,408	610,149
Prepaid expenses	154,628	120,063
Total current assets	1,226,050	1,250,248
Noncurrent assets		
Property and equipment, net	7,848,266	7,979,322
Broadcasting rights, less current portion	226,095	224,656
Charitable gift annuity - unrestricted	98,061	-
Charitable gift annuity - temporarily restricted	101,939	-
Beneficial interest in perpetual trust	141,458	140,427
Total other assets	8,415,819	8,344,405
Total Assets	$ 9,641,869	$ 9,594,653
LIABILITIES AND NET ASSETS		
Current liabilities		
Current portion of long-term debt	$ 159,756	$ 166,375
Line of credit	-	150,000
Current portion of capital lease	50,771	48,836
Accounts payable and accrued expenses	1,072,071	1,215,029
Accrued salaries and wages	109,015	178,398
Deferred support and revenue	666,304	628,716
Current portion of gift annuity liability	10,600	-
Total current liabilities	2,068,517	2,387,354
Long-term liabilities		
Long-term debt, less current portion	-	161,048
Capital lease, less current portion	86,732	139,486
Long-term portion of gift annuity liability	87,461	-
Total long-term liabilities	174,193	300,534
Total liabilities	2,242,710	2,687,888
Net assets		
Unrestricted	1,237,605	1,062,585
Temporarily restricted:		
For Festival Park premises and PECO grant improvements	5,918,658	5,703,753
For support of programming and production	242,896	140,427
Total temporarily restricted	6,161,554	5,844,180
Total net assets	7,399,159	6,906,765
Total Liabilities and Net Assets	$ 9,641,869	$ 9,594,653

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, 2016 AND 2015

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue								
Support								
Grants	$ 2,312,377	$ -	$ -	$ 2,312,377	$ 2,056,829	$ -	$ -	$ 2,056,829
Membership income	2,233,497	-	-	2,233,497	1,617,613	-	-	1,617,613
Gift annuity contribution	-	101,939	-	101,939	-	-	-	-
Other	128,835	-	-	128,835	119,177	-	-	119,177
Total support	4,674,709	101,939	-	4,776,648	3,793,619	-	-	3,793,619
Revenue								
Underwriting	1,874,205	-	-	1,874,205	1,930,140	-	-	1,930,140
Production	112,761	-	-	112,761	64,485	-	-	64,485
Investment gain	-	-	-	-	48,591	1,380	-	49,971
Change in value of beneficial interest								-
in perpetual trust	-	11,036	-	11,036	-	(9,435)	-	(9,435)
Master control service	1,271,325	-	-	1,271,325	1,093,754	-	-	1,093,754
Rental income	256,989	-	-	256,989	251,403	-	-	251,403
Other	568,463	-	-	568,463	527,459	-	-	527,459
Total revenue	4,083,743	11,036	-	4,094,779	3,915,832	(8,055)	-	3,907,777
Total support and revenue	8,758,452	112,975	-	8,871,427	7,709,451	(8,055)	-	7,701,396
Net assets released from restrictions								
Satisfaction of activity restrictions	297,799	(297,799)	-	-	635,291	(435,291)	(200,000)	-
Total support and revenue after release from restrictions	9,056,251	(184,824)	-	8,871,427	8,344,742	(443,346)	(200,000)	7,701,396
Expenses (Exhibit I)								
Program services								
Programming and production	2,594,453	-	-	2,594,453	2,818,911	-	-	2,818,911
Broadcasting	3,163,979	-	-	3,163,979	3,299,261	-	-	3,299,261
Program information and promotion	192,452	-	-	192,452	176,355	-	-	176,355
Total program services	5,950,884	-	-	5,950,884	6,294,527	-	-	6,294,527
Supporting Services								
Fundraising and membership development	863,645	-	-	863,645	868,767	-	-	868,767
Underwriting and grant solicitation	915,004	-	-	915,004	930,448	-	-	930,448
Management and general	649,500	-	-	649,500	481,418	-	-	481,418
Total supporting services	2,428,149	-	-	2,428,149	2,280,633	-	-	2,280,633
Total expenses	8,379,033	-	-	8,379,033	8,575,160	-	-	8,575,160
Increase (decrease) in net assets	677,218	(184,824)	-	492,394	(230,418)	(443,346)	(200,000)	(873,764)
Net assets, beginning of year	1,062,585	5,844,180	-	6,906,765	1,293,003	6,287,526	200,000	7,780,529
Net assets, end of year	$ 1,739,803	$ 5,659,356	$ -	$ 7,399,159	$ 1,062,585	$ 5,844,180	$ -	$ 6,906,765

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, 2016 AND 2015

	2016	2015
Cash flows from operating activities		
Cash received from grants, donors and fundraising activities	$ 8,984,205	$ 7,611,266
Cash paid to suppliers and employees	(7,787,725)	(7,639,201)
Cash paid for interest	(19,041)	(42,346)
Distributions from beneficial interest in perpetual trust	10,005	5,843
Net cash provided by (used in) operating activities	1,187,444	(64,438)
Cash flows from investing activities		
Purchases of property and equipment	(579,980)	(74,179)
Proceeds on sales of investments	-	1,386,457
Purchases of investments	(200,000)	(397,701)
Net cash provided by (used in) investing activities	(779,980)	914,577
Cash flows from financing activities		
Proceeds from issuance of long-term debt	-	365,743
Principal payments on long-term debt	(167,667)	(1,286,971)
Principal payments on capital leases	(50,819)	(46,221)
Proceeds from line of credit	430,000	390,000
Payments on line of credit	(580,000)	(300,000)
Net cash used in financing activities	(368,486)	(877,449)
Net increase (decrease) in cash and cash equivalents	38,978	(27,310)
Cash and cash equivalents, beginning of year	187,337	214,647
Cash and cash equivalents, end of year	$ 226,315	$ 187,337
Reconciliation of increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Increase (decrease) in net assets	$ 492,394	$ (873,764)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	711,036	837,704
Unrealized (gains) losses on investments	(10,008)	10,057
Realized gains on investments	(1,028)	(57,229)
Distributions from beneficial interest in perpetual trust	10,005	5,843
Decrease (increase) in certain assets:		
Accounts receivable	32,000	217,306
Grants receivable	85,000	(85,000)
Broadcasting rights	(20,698)	(55,129)
Prepaid expenses	(34,565)	(39,313)
Increase (decrease) in certain liabilities:		
Accounts payable and accrued expenses	(142,958)	91,431
Accrued salaries and wages	(69,383)	(60,257)
Deferred support and revenue	37,588	(56,087)
Gift annuity liability	98,061	-
Total adjustments	695,050	809,326
Net cash provided by (used in) operating activities	$ 1,187,444	$ (64,438)

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, 2016 AND 2015

(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 year ended September 30, 2015, the Foundation accounts were emptied and held in reserve for future investment use when funds are available.

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

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

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

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

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

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

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

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

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

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

(e) **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 at September 30, 2015. There was no allowance for doubtful accounts at September 30, 2016.

(g) **Grants receivable—**For the year ended September 30, 2015, the station had grants receivable due from various grantors. There were no grants receivable at September 30, 2016.

(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) **Split interest agreements**—The Station accepts gifts subject to split interest agreements, in the form of annuities and charitable trusts. At the time of receipt, a gift is recorded based upon the fair value of assets donated less any applicable liabilities. Liabilities include the present value of projected future distributions to the annuitant and are determined using the Internal Revenue Service rate for computing charitable deductions for such gifts in effect at the time of the gift. Funds subject to split interest agreements are classified as unrestricted, temporarily restricted or permanently restricted based upon donor designations.

(j) **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 three to forty years for equipment.

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

(k) **Revenue recognition**—Unrestricted contributions, pledges and grants are recognized as revenue in the consolidated statements 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.

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

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

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

(m) **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.

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

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

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.

(o) **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.

(p) **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.

(q) **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, 2016 and 2015, 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, 2016 and 2015, the Station had federal net operating losses of approximately $2,800,000 and $2,500,000, respectively.

As of September 30, 2016 and 2015, the deferred tax assets consist of net operating loss carryforwards totaling approximately $9,600,000 and $6,800,000, 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, 2016 and 2015 and the net deferred tax assets at September 30, 2016 and 2015, 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.

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

(r) **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.

(s) **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.

(t) **Advertising costs**—Advertising costs are expensed in the period in which they are incurred. Advertising expense for the years ended September 30, 2016 and 2015, was $412,583 and $389,973, respectively.

(u) **Subsequent events**—The Station has evaluated events and transactions through January 18, 2017, the date the financial statements were available to be issued.

(2) **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.

(2) **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, 2016 and 2015.

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

Gift annuity liability – Valued by the income approach, in the form of present value techniques using interest rates, yield curves, and life expectancy tables.

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 and liabilities of the Station for which fair values are determined on a recurring basis as of September 30, 2016 and 2015:

	Assets and Liabilities at Fair Value as of September 30, 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets at fair value				
Beneficial interest in a perpetual trust	$ -	$ 141,458	$ -	$ 141,458
Liabilities at fair value				
Gift annuity liability (Note 4)	$ -	$ 98,061	$ -	$ 98,061

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

(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, 2016 and 2015, is valued based on the fair market value of the Station's share of the underlying assets held by the trust.

(4) **Charitable Gift Annuity:**

On September 26, 2016, the Station entered into charitable gift annuity agreements with donors. Under terms of these agreements, the beneficiaries are to receive quarterly distributions of in the amount of $2,650 for the life of the donors. The present value of the annuity payment liabilities at December 31, 2016, has been calculated based on the respective payouts and discount rates as determined by the trust documents. This amount is reflected on the accompanying consolidated statements of financial position as a gift annuity liability. Upon the death of the donors, any funds remaining will be utilized in accordance with the wishes of the donors. During the year ended September 30, 2016, $101,939 was recognized as temporarily restricted support on the accompanying consolidated statements of activities.

(5) **Property and Equipment:**

A summary of property and equipment at September 30, 2016 and 2015, is as follows:

	2016	2015
Land	$ 87,760	$ 87,760
Buildings and improvements	14,958,870	14,456,672
Broadcast and other equipment	16,057,851	15,980,069
	31,104,481	30,524,501
Less: Accumulated depreciation	(23,256,215)	(22,545,179)
	$ 7,848,266	$ 7,979,322

For the years ended September 30, 2016 and 2015, depreciation expense for property and equipment was $711,036 and $837,704, respectively. Depreciation expense related to assets leased under capital leases was $49,283 and $47,466 for the years ended September 30, 2016 and 2015, 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.

(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, 2016. Depreciation expense related to the facility was $210,737 for the years ended September 30, 2016 and 2015. Accumulated depreciation was $5,510,834 and $5,300,097 at September 30, 2016 and 2015, 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, 2016 and 2015, is as follows:

	2016	2015
Note payable to financial institution, monthly payments, of $14,873, including interest of 4.55%, collateralized by equipment.	$ 159,756	$ 327,423
Total debt	159,756	327,423
Less: Current portion	(159,756)	(166,375)
Long-term debt	$ -	$ 161,048

Maturities on long-term debt over the next five years as of September 30, 2016, are as follows:

Years Ended	Amount
2017	$ 159,756
Thereafter	-
Total	$ 159,756

(8) **Line of Credit:**

As of September 30, 2016 and 2015, 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, 2016). The line of credit is collateralized by personal property. The outstanding balance on this line of credit at September 30, 2015 was $150,000. There was no outstanding balance at September 30, 2016.

(9) Capital Leases:

The Station leases equipment under capital leases. As of September 30, 2016 and September 30, 2015, 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:

	2016	2015
Equipment	$ 244,171	$ 244,171
Less: Accumulated depreciation	(106,956)	(57,673)
Net book value	$ 137,215	$ 186,498

Capital lease obligations consist of the following as of September 30, 2016 and 2015:

	2016	2015
Equipment lease with monthly payments of $1,980, including interest of 3.22%, due February 21, 2019. Lease collateralized by the leased equipment.	$ 56,930	$ 78,533
Equipment lease with monthly payments of $1,981, including interest of 3.67%, due October 8, 2019. Lease collateralized by the leased equipment.	65,767	88,365
Equipment lease with monthly payments of $187, including interest of 3.67%, due December 8, 2017. Lease collateralized by the leased equipment.	2,763	5,225
Equipment lease with monthly payments of $422, including interest of 6.36%, due on May 1, 2019. Lease collateralized by the leased equipment.	12,043	16,199
Total capital leases	137,503	188,322
Less: Current portion	(50,771)	(48,836)
Long-term portion of capital leases	$ 86,732	$ 139,486

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

The following is a schedule by years of future minimum payments required under the lease as of September 30, 2016:

Years Ending September 30:	Amount
2017	52,848
2018	53,214
2019	37,059
2020	1,982
Thereafter	-
Total future minimum payments	145,103
Less: Amounts representing interest	(7,600)
Total future principal payment	$ 137,503

(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, 2016, the Station had $61,441 in uninsured cash balances. There were no uninsured cash balances as of September 30, 2015.

(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, 2016 and 2015, the Digital Convergence Alliance provided approximately 14% and the CPB provided approximately 11% and 15%, respectively.

(11) **Community Service Grants (CSG):**

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

Year of Grant	Grants Received	Expended 2014-15	Expended 2015-16	Uncommitted Balance at September 30, 2016
2015-17	$ 939,880	$ -	$ 939,880	$ -
2014-16	$ 965,129	$ 965,129	$ -	$ -

(12) **Lease Rental Income:**

The Station leases broadcast stations and transmitter tower space to unrelated third parties. Lease rental income totaled $256,989 and $251,403 for the years ended September 30, 2016 and 2015, 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, 2016 and 2015.

(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, 2016 and 2015, 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 $4,430,703 and $4,105,964 for the years ended September 30, 2016 and 2015, 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, 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 years ended September 30, 2016 and 2015, WJCT paid $153,600 to the DCA for the provision of master control services.

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. The annual service fees from the DCA are included in master control service revenue on the accompanying consolidated statements of activities.

(16) **Recent Accounting Pronouncements:**

The FASB and other entities issued new or modifications to, or interpretations of, existing accounting guidance during 2015. The Station has considered the new pronouncements that altered accounting principles generally accepted in the United States of America, and other than as disclosed in the notes to the financial statements, does not believe that any other new or modified principles will have a material impact on the Station's reported financial position or operations in the near term.

In May 2014, the FASB issued Accounting Standards Update 2014-09: Revenue from Contracts with Customers, to clarify the principles used to recognize revenue for all entities. The new standard is effective for the year ending September 30, 2018 and may be adopted early for the year ending September 30, 2017. The Station has not evaluated the impact of the adoption on its financial statements.

In February 2016, the FASB issued Accounting Standards Update 2016-02: Leases (Topic 842), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The new standard is effective for the year ending September 30, 2021 and may be adopted early. The Station has not evaluated the impact of the adoption on its financial statements.

In August 2016, the FASB issued Accounting Standards Update 2016-14: Not-for-Profit Entities (Topic 958), to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The new standard is effective for the year ending September 30, 2019 and may be adopted early. The Station has not evaluated the impact of the adoption on its financial statements.

SUPPLEMENTAL INFORMATION

WJCT, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(With summarized comparative totals for the year ended September 30, 2015)

	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 2016	Total Expenses 2015
Salaries, wages and benefits	$ 802,348	1,470,187	$ 160,344	$ 2,432,879	$ 457,937	$ 461,923	$ 577,147	$ 1,497,007	$ 3,929,886	$ 3,595,201
Occupancy	9,737	49,630	1,096	60,463	33,458	840	13,959	48,257	108,720	127,493
Programming costs	1,208,277	112,603	921	1,321,801	5,387	18,879	6,813	31,079	1,352,880	1,306,561
Repairs and maintenance	640	123,774	-	124,414	16,360	3,412	4,355	24,127	148,541	140,525
Travel and meetings	9,741	7,573	1,042	18,356	3,082	2,673	4,504	10,259	28,615	50,745
Advertising	3,539	381	11,397	15,317	1,188	394,690	-	395,878	411,195	389,973
Supplies and printing	14,382	28,168	7,809	50,359	76,019	18,922	-	94,941	145,300	202,510
Professional services	86,489	190,829	3,397	280,715	89,886	9,621	27,491	126,998	407,713	756,511
Supplies	99	6,868	-	6,967	-	-	2,494	2,494	9,461	11,321
Postage	9,065	16,981	1,643	27,689	13,335	709	1,333	15,377	43,066	45,983
Depreciation	112,714	584,232	-	696,946	7,045	-	7,045	14,090	711,036	837,704
Interest	-	19,041	-	19,041	-	-	-	-	19,041	42,346
Bad debts	-	-	-	-	-	-	219	219	219	25,788
In-kind	296,835	-	-	296,835	-	-	-	-	296,835	287,177
Membership maintenance	-	-	-	-	144,457	-	-	144,457	144,457	161,449
Utilities	25,397	285,059	4,803	315,259	15,491	3,335	4,140	22,966	338,225	319,464
Insurance	15,190	268,653	-	283,843	-	-	-	-	283,843	274,409
	$ 2,594,453	$ 3,163,979	$ 192,452	$ 5,950,884	$ 863,645	$ 915,004	$ 649,500	$ 2,428,149	$ 8,379,033	$ 8,575,160

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, 2016

ASSETS	WJCT, Inc.	WJCT Foundation, Inc.	JCT Services, LLC	Consolidating Entries	Consolidated
Current assets					
Cash and cash equivalents	$ 224,450	$ -	$ 1,865	$ -	$ 226,315
Accounts receivable	215,699	-	-	-	215,699
Due from related entities	191,123	-	-	(191,123)	-
Broadcasting rights, current portion	629,408	-	-	-	629,408
Prepaid expenses	150,073	-	4,555	-	154,628
Total current assets	1,410,753	-	6,420	(191,123)	1,226,050
Noncurrent assets					
Property and equipment, net	7,834,024	-	14,242	-	7,848,266
Broadcasting rights, less current portion	226,095	-	-	-	226,095
Investments - unrestricted	98,061	-	-	-	98,061
Investments - temporarily restricted	101,939	-	-	-	101,939
Beneficial interest in perpetual trust	141,458	-	-	-	141,458
Total other assets	8,401,577	-	14,242	-	8,415,819
Total Assets	$ 9,812,330	$ -	$ 20,662	$ (191,123)	$ 9,641,869
LIABILITIES AND NET ASSETS					
Current liabilities					
Current portion of long-term debt	$ 159,756	$ -	$ -	$ -	$ 159,756
Current portion of capital lease	43,980	-	6,791	-	50,771
Accounts payable and accrued expenses	1,036,069	-	36,002	-	1,072,071
Due to related entities	-	1,876	189,247	(191,123)	-
Accrued salaries and wages	109,015	-	-	-	109,015
Deferred support and revenue	242,404	-	423,900	-	666,304
Current portion of gift annuity liability	10,600	-	-	-	10,600
Total current liabilities	1,601,824	1,876	655,940	(191,123)	2,068,517
Long-term liabilities					
Non-current portion of capital lease	78,717	-	8,015	-	86,732
Long-term portion of gift annuity liability	87,461	-	-	-	87,461
Total long-term liabilities	166,178	-	8,015	-	174,193
Total liabilities	1,768,002	1,876	663,955	(191,123)	2,242,710
Net assets					
Unrestricted	1,882,774	(1,876)	(643,293)	-	1,237,605
Temporarily restricted:					
For Festival Park premises and PECO grant improvements	5,918,658	-	-	-	5,918,658
For support of programming and production	242,896	-	-	-	242,896
Total temporarily restricted	6,161,554	-	-	-	6,161,554
Total net assets	8,044,328	(1,876)	(643,293)	-	7,399,159
Total Liabilities and Net Assets	$ 9,812,330	$ -	$ 20,662	$ (191,123)	$ 9,641,869

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

WJCT, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	WJCT, Inc.	WJCT Foundation, Inc.	JCT Services, LLC	Consolidating Entries	Consolidated
Support and revenue					
Support					
Grants	$ 2,312,377	$ -	$ -	$ -	$ 2,312,377
Membership income	2,233,497	-	-	-	2,233,497
Gift annuity contribution	101,939				101,939
Other	128,835	-	-	-	128,835
Total support	4,776,648	-	-	-	4,776,648
Revenue					
Underwriting	1,874,205	-	-	-	1,874,205
Production	112,761	-	-	-	112,761
Change in value of beneficial interest in perpetual trust	11,036	-	-	-	11,036
Master control service	170,551	-	1,271,325	(170,551)	1,271,325
Rental income	256,989	-	-	-	256,989
Other	568,443	20	-	-	568,463
Total revenue	2,993,985	20	1,271,325	(170,551)	4,094,779
Total support and revenue	7,770,633	20	1,271,325	(170,551)	8,871,427
Expenses (Exhibit I)					
Program services					
Programming and production	2,594,453	-	-	-	2,594,453
Broadcasting	1,970,193	-	1,364,337	(170,551)	3,163,979
Program information and promotion	192,452	-	-	-	192,452
Total program services	4,757,098	-	1,364,337	(170,551)	5,950,884
Supporting services					
Fundraising and membership development	863,645	-	-	-	863,645
Underwriting and grant solicitation	915,004	-	-	-	915,004
Management and general	647,604	1,896	-	-	649,500
Total supporting services	2,426,253	1,896	-	-	2,428,149
Total expenses	7,183,351	1,896	1,364,337	(170,551)	8,379,033
Increase (decrease) in net assets	587,282	(1,876)	(93,012)	-	492,394
Net assets, beginning of year	7,457,046	-	(550,281)	-	6,906,765
Net assets, end of year	$ 8,044,328	$ (1,876)	$ (643,293)	$ -	$ 7,399,159

The accompanying notes to consolidated 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, 2016

City of Jacksonville Grant Funding for Fiscal Year 2015/2016 Audit:

Receipt of City Funds:	City FY 2014-2015 Cultural Council Grant	City FY 2015-2016 Cultural Council Grant
Amount of Award (per City budget ordinance)	$ 310,557	$ 282,961
Actual Funds Received from City in Last Audit Period	(310,557)	-
Actual Amount Received This Period	-	(282,961)
Amount Remaining to be Distributed	$ -	$ -

Expenditures of City Funds:

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	$ -

City FY 2015-2016 Cultural Services Grant $282,961

Item	Budgeted	Actual 10/1/2015 - 9/30/2016	Remaining Balance
Program Costs	$ 282,961	$ 282,961	$ -

The accompanying notes to consolidated 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, 2016, 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 18, 2017.

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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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 18, 2017