

**WJCT, INC. AND AFFILIATES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017 AND 2016**

**WJCT, INC. AND AFFILIATES  
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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of WJCT, Inc. and Affiliates (the "Station"), which comprise the consolidated statements of financial position as of September 30, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated 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.

***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, 2017 and 2016, 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.

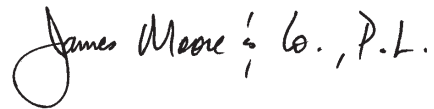
***Other Matters***

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 19, 2018, 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 style with a large, looped initial 'J'.

Gainesville, Florida  
January 19, 2018

**WJCT, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2017 AND 2016**

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
<b>Current assets</b>		
Cash and cash equivalents	\$ 271,382	\$ 226,315
Accounts receivable, net	327,810	215,699
Grants receivable	101,862	-
Broadcasting rights, current portion	620,801	629,408
Prepaid expenses	229,816	154,628
Total current assets	1,551,671	1,226,050
<b>Noncurrent assets</b>		
Property and equipment, net	7,265,351	7,848,266
Broadcasting rights, less current portion	233,784	226,095
Charitable gift annuity - unrestricted	92,582	98,061
Charitable gift annuity - temporarily restricted	103,941	101,939
Beneficial interest in perpetual trust	151,290	141,458
Total other assets	7,846,948	8,415,819
<b>Total Assets</b>	<b>\$ 9,398,619</b>	<b>\$ 9,641,869</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Current liabilities</b>		
Current portion of long-term debt	\$ -	\$ 159,756
Current portion of capital lease	48,326	50,771
Accounts payable and accrued expenses	1,246,652	1,072,071
Accrued salaries and wages	167,501	109,015
Deferred support and revenue	639,882	666,304
Current portion of gift annuity liability	10,600	10,600
Total current liabilities	2,112,961	2,068,517
<b>Long-term liabilities</b>		
Capital lease, less current portion	38,406	86,732
Long-term portion of gift annuity liability	81,982	87,461
Total long-term liabilities	120,388	174,193
Total liabilities	2,233,349	2,242,710
<b>Net assets</b>		
Unrestricted	1,329,426	1,237,605
Temporarily restricted:		
For Festival Park premises and PECO grant improvements	5,581,145	5,918,658
For support of programming and production	254,699	242,896
Total temporarily restricted	5,835,844	6,161,554
Total net assets	7,165,270	7,399,159
<b>Total Liabilities and Net Assets</b>	<b>\$ 9,398,619</b>	<b>\$ 9,641,869</b>

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, 2017 AND 2016**

	2017		2016	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
<b>Support and revenue</b>				
Support				
Grants	\$ 1,760,253	\$ -	\$ 1,810,179	\$ 502,198
Membership income	2,298,670	-	2,233,497	-
Gift annuity contribution	-	-	-	101,939
In-kind contributions	106,470	-	128,835	-
Total support	<u>4,165,393</u>	<u>-</u>	<u>4,172,511</u>	<u>604,137</u>
Revenue				
Underwriting	1,841,675	-	1,874,205	-
Production	69,884	-	112,761	-
Change in value of beneficial interest in perpetual trust	-	16,288	-	11,036
Change in value of charitable gift annuity	-	2,002	-	-
Master control service	1,325,493	-	1,271,325	-
Rental income	347,403	-	256,989	-
Other	516,001	-	568,463	-
Total revenue	<u>4,100,456</u>	<u>18,290</u>	<u>4,083,743</u>	<u>11,036</u>
Total support and revenue	<u>8,265,849</u>	<u>18,290</u>	<u>8,256,254</u>	<u>615,173</u>
<b>Net assets released from restrictions</b>				
Satisfaction of activity restrictions	344,000	(344,000)	297,799	-
Total support and revenue after release from restrictions	<u>8,609,849</u>	<u>(325,710)</u>	<u>8,554,053</u>	<u>317,374</u>
<b>Expenses (Exhibit I)</b>				
Program services				
Programming and production	2,622,812	-	2,594,453	-
Broadcasting	3,227,347	-	3,163,979	-
Program information and promotion	198,268	-	192,452	-
Total program services	<u>6,048,427</u>	<u>-</u>	<u>5,950,884</u>	<u>-</u>
Supporting Services				
Fundraising and membership development	857,346	-	863,645	-
Underwriting and grant solicitation	876,957	-	915,004	-
Management and general	735,298	-	649,500	-
Total supporting services	<u>2,469,601</u>	<u>-</u>	<u>2,428,149</u>	<u>-</u>
Total expenses	<u>8,518,028</u>	<u>-</u>	<u>8,379,033</u>	<u>-</u>
<b>Increase (decrease) in net assets</b>	<u>91,821</u>	<u>(325,710)</u>	<u>175,020</u>	<u>317,374</u>
<b>Net assets, beginning of year</b>	<u>1,237,605</u>	<u>6,161,554</u>	<u>1,062,585</u>	<u>5,844,180</u>
<b>Net assets, end of year</b>	<u>\$ 1,329,426</u>	<u>\$ 5,835,844</u>	<u>\$ 1,237,605</u>	<u>\$ 6,161,554</u>

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, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities</b>		
Cash received from grants, donors and fundraising activities	\$ 7,925,440	\$ 8,984,205
Cash paid to suppliers and employees	(7,495,671)	(7,787,725)
Cash paid for interest	(8,263)	(19,041)
Net cash provided by operating activities	421,506	1,177,439
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(165,912)	(579,980)
Purchases of investments	-	(200,000)
Net cash used in investing activities	(165,912)	(779,980)
<b>Cash flows from financing activities</b>		
Principal payments on long-term debt	(159,756)	(167,667)
Principal payments on capital leases	(50,771)	(50,819)
Proceeds from line of credit	-	430,000
Payments on line of credit	-	(580,000)
Net cash used in financing activities	(210,527)	(368,486)
<b>Net increase in cash and cash equivalents</b>	45,067	28,973
<b>Cash and cash equivalents, beginning of year</b>	216,310	187,337
<b>Cash and cash equivalents, end of year</b>	\$ 261,377	\$ 216,310
<b>Reconciliation of increase (decrease) in net assets to net cash provided by operating activities:</b>		
<b>Increase (decrease) in net assets</b>	\$ (233,889)	\$ 492,394
<b>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</b>		
Depreciation	748,827	711,036
Unrealized gains on investments	(15,687)	(10,008)
Realized gains on investments	2,876	(1,028)
Distributions from beneficial interest in perpetual trust	6,456	10,005
Change in certain assets/liabilities:		
Accounts receivable	(112,111)	32,000
Grants receivable	(101,862)	85,000
Broadcasting rights	918	(20,698)
Prepaid expenses	(75,188)	(34,565)
Accounts payable and accrued expenses	174,581	(142,958)
Accrued salaries and wages	58,486	(69,383)
Deferred support and revenue	(26,422)	37,588
Gift annuity liability	(5,479)	98,061
Total adjustments	655,395	695,050
<b>Net cash provided by operating activities</b>	\$ 421,506	\$ 1,187,444

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, 2017 AND 2016**

(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.



**WJCT, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017 AND 2016**

(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 \$29,167 and zero at September 30, 2017, and 2016, respectively.

(g) **Grants receivable**—For the year ended September 30, 2017, the Station had grants receivable due from the Florida Department of Education in the amount of \$101,862. 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 the respective year end. 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.

**WJCT, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017 AND 2016**

(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.

**WJCT, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017 AND 2016**

(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, 2017 and 2016, 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, 2017 and 2016, the Station had federal net operating losses of approximately \$2,800,000 each year.

As of September 30, 2017 and 2016, the deferred tax assets consist of net operating loss carryforwards totaling approximately \$12,300,000 and \$9,600,000, 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, 2017 and 2016 and the net deferred tax assets at September 30, 2017 and 2016, 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.

**WJCT, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017 AND 2016**

(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, 2017 and 2016, was \$320,638 and \$412,583, respectively.

(u) **Subsequent events**—The Station has evaluated events and transactions through January 19, 2018, the date the financial statements were available to be issued.

(v) **Recently issued accounting pronouncements**—The Financial Accounting Standards Board (FASB) issued new or modifications to, or interpretations of, existing accounting guidance during the year ended September 30, 2017. 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 below, 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 (as amended) is effective for fiscal years beginning after December 15, 2018 and may be adopted early. The Station is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

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 consolidated statement of financial position and disclosing key information about leasing arrangements. The new standard is effective for fiscal years beginning after December 15, 2019 and may be adopted early. The Station is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

In August 2016, the FASB issued Accounting Standards Update 2016-14: Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, to make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities, including net asset classification requirements and the information presented about an entity's liquidity, financial performance, and cash flows. The new standard is effective for fiscal years beginning after December 15, 2017 and may be adopted early. The Station is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

**WJCT, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017 AND 2016**

(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.

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, 2017 and 2016.

*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.

**WJCT, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017 AND 2016**

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

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, 2017 and 2016:

	<b>Assets and Liabilities at Fair Value as of September 30, 2017</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets at fair value</b>				
Charitable gift annuity (Note 4)	\$ -	\$ 196,523	\$ -	\$ 196,523
Beneficial interest in a perpetual trust (Note 3)	-	151,290	-	151,290
Total	\$ -	\$ 347,813	\$ -	\$ 347,813

**Liabilities at fair value**

Charitable gift annuity (Note 4)	\$ -	\$ 92,582	\$ -	\$ 92,582
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	<b>Assets and Liabilities at Fair Value as of September 30, 2016</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets at fair value</b>				
Charitable gift annuity (Note 4)	\$ -	\$ 200,000	\$ -	\$ 200,000
Beneficial interest in a perpetual trust (Note 3)	-	141,458	-	141,458
Total	\$ -	\$ 341,458	\$ -	\$ 341,458

**Liabilities at fair value**

Charitable gift annuity (Note 4)	\$ -	\$ 98,061	\$ -	\$ 98,061
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(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, 2017 and 2016, 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:**

During fiscal year ended September 30, 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 September 30, 2017 and 2016, have 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.



**WJCT, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017 AND 2016**

(5) **Property and Equipment:**

A summary of property and equipment at September 30, 2017 and 2016, is as follows:

	<u>2017</u>	<u>2016</u>
Land	\$ 87,760	\$ 87,760
Buildings and improvements	15,071,666	14,958,870
Broadcast and other equipment	16,077,076	16,057,851
Total property and equipment	<u>31,236,502</u>	<u>31,104,481</u>
Less: Accumulated depreciation	(24,005,042)	(23,256,215)
Construction in process	33,891	-
	<u>\$ 7,265,351</u>	<u>\$ 7,848,266</u>

For the years ended September 30, 2017 and 2016, depreciation expense for property and equipment was \$748,827 and \$711,036, respectively. Depreciation expense related to assets leased under capital leases was \$49,283 each for the years ended September 30, 2017 and 2016.

(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.

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 in the amount of \$8,429,467 at September 30, 2017. Depreciation expense related to the facility was \$210,737 for the years ended September 30, 2017 and 2016. Accumulated depreciation was \$5,721,523 and \$5,510,834 at September 30, 2017 and 2016, 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.

**WJCT, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017 AND 2016**

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

A summary of long-term debt as of September 30, 2017 and 2016, is as follows:

	<b>2017</b>	<b>2016</b>
Note payable to financial institution, monthly payments, of \$14,873, including interest of 4.55%, collateralized by equipment.	\$ -	\$ 159,756
Total debt	-	159,756
Less: Current portion	-	(159,756)
Long-term debt	\$ -	\$ -

The Station paid off the balance in full during fiscal year ended September 30, 2017 and the account was closed.

**(8) Line of Credit:**

During the fiscal year ended September 30, 2017, the Station had a revolving line of credit with a commercial bank that was called and subsequently closed. This line of credit was paid in full during May 2017 and had a zero balance during fiscal year ended September 30, 2016. The Station then opened another line of credit with a different commercial bank with a revolving credit limit of \$100,000 at an interest rate of 5.75%. There was no outstanding balance on this line of credit at September 30, 2017.

**(9) Capital Leases:**

The Station leases equipment under capital leases. As of September 30, 2017 and September 30, 2016, 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:

	<b>2017</b>	<b>2016</b>
Equipment	\$ 244,171	\$ 244,171
Less: Accumulated depreciation	(156,239)	(106,956)
Net book value	\$ 87,932	\$ 137,215



**WJCT, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017 AND 2016**

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

Capital lease obligations consist of the following as of September 30, 2017 and 2016:

	2017	2016
Equipment lease with monthly payments of \$1,980, including interest of 3.22%, due February 21, 2019. Lease collateralized by the leased equipment.	\$ 34,620	\$ 56,930
Equipment lease with monthly payments of \$1,981, including interest of 3.67%, due October 8, 2019. Lease collateralized by the leased equipment.	44,097	65,767
Equipment lease with monthly payments of \$187, including interest of 3.67%, due December 8, 2017. Lease collateralized by the leased equipment.	401	2,763
Equipment lease with monthly payments of \$422, including interest of 6.36%, due on May 1, 2019. Lease collateralized by the leased equipment.	7,614	12,043
Total capital leases	86,732	137,503
Less: Current portion	(48,326)	(50,771)
Long-term portion of capital leases	\$ 38,406	\$ 86,732

The following is a schedule by years of future minimum payments required under the lease as of September 30, 2017:

Years Ending September 30:	Amount
2018	\$ 52,590
2019	38,819
2020	277
Total future minimum payments	91,686
Less: Amounts representing interest	(4,954)
Total future principal payment	\$ 86,732

(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, 2017.

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

**WJCT, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017 AND 2016**

(10) **Significant Concentrations:** (Continued)

(c) **Revenues**—The Station received significant revenue from two sources. During the years ended September 30, 2017 and 2016, the Digital Convergence Alliance provided approximately 16% and 14%, respectively and the Corporation for Public Broadcasting (CPB) provided approximately 12% and 11%, respectively.

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

The Station receives a CSG from the CPB 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 2015-16</u>	<u>Expended 2016-17</u>	<u>Uncommitted Balance at September 30, 2017</u>
2016-18	\$ 903,674	\$ -	\$ 903,674	\$ -
2015-17	\$ 939,880	\$ 939,880	\$ -	\$ -

(12) **Lease Rental Income:**

The Station leases broadcast stations and transmitter tower space to unrelated third parties. Lease rental income totaled \$347,403 and \$256,989 for the years ended September 30, 2017 and 2016, 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, 2017 and 2016.

(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, 2017 and 2016, the Station provided no matching contributions.

(14) **Consolidated Master Control Arrangement:**

The Digital Convergence Alliance (DCA) is a membership organization comprised of multiple public broadcasting stations. WJCT became a member of the DCA March 1, 2013, when they entered into a service provider agreement. Under this agreement WJCT, pays annual membership fees to the DCA for the provision of master control services in the amount of \$297,252, less any adjustments for new members added. During the years ended September 30, 2017 and 2016, WJCT paid \$154,600 and \$153,600, respectively, 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.

**WJCT, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017 AND 2016**

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

JCT Services provides operational, management, engineering, and maintenance services for the DCA in exchange for an annual service fee of \$1,330,800, 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.

**SUPPLEMENTAL INFORMATION**

EXHIBIT I

**WJCT, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**  
(With summarized comparative totals for the year ended September 30, 2016)

	Program Services			Supporting Services			Total Expenses 2017	Total Expenses 2016
	Programming and Production	Broadcasting	Program Information and Promotion	Fundraising and Membership Development	Underwriting and Grant Solicitation	Management and General		
Salaries, wages and benefits	\$ 838,423	\$ 1,520,176	\$ 172,256	\$ 457,717	\$ 478,891	\$ 626,527	\$ 4,093,990	\$ 3,929,886
Occupancy	15,421	51,809	1,736	36,527	688	24,982	131,163	108,720
Programming costs	1,217,699	157,747	881	6,253	20,926	139	1,403,645	1,352,880
Repairs and maintenance	174	97,490	-	13,193	3,195	12,851	126,903	148,541
Travel and meetings	8,674	8,281	747	2,175	1,552	7,510	28,939	28,615
Advertising	2,922	108	7,554	1,603	1,104	1,500	14,791	411,195
Printing	12,302	30,705	5,342	108,838	18,748	2,052	177,987	145,300
Professional services	89,182	192,872	3,056	92,091	10,189	39,351	426,741	407,713
Supplies	-	9,766	-	1,000	447	5,186	16,399	9,461
Postage	13,148	17,488	1,643	11,969	2,175	1,495	47,918	43,066
Depreciation	118,760	615,222	-	7,422	-	7,423	748,827	711,036
Interest	-	8,263	-	-	-	-	8,263	19,041
Bad debts	-	-	-	-	30,000	2,932	32,932	219
In-kind	274,470	-	-	-	307,568	-	582,038	296,835
Membership maintenance	-	64.00	-	108,339	-	29	108,432	144,457
Utilities	16,537	264,785	5,053	10,219	1,474	3,321	301,389	338,225
Insurance	15,100	252,571	-	-	-	-	267,671	283,843
	<u>\$ 2,622,812</u>	<u>\$ 3,227,347</u>	<u>\$ 198,268</u>	<u>\$ 857,346</u>	<u>\$ 876,957</u>	<u>\$ 735,298</u>	<u>\$ 8,518,028</u>	<u>\$ 8,379,033</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, 2017**

**ASSETS**

	<u>WJCT, Inc.</u>	<u>WJCT Foundation, Inc.</u>	<u>JCT Services, LLC</u>	<u>Consolidating Entries</u>	<u>Consolidated</u>
<b>Current assets</b>					
Cash and cash equivalents	\$ 269,658	\$ -	\$ 1,724	\$ -	\$ 271,382
Accounts receivable	327,810	-	-	-	327,810
Grant receivable	101,862	-	-	-	101,862
Due from related entities	298,534	-	-	(298,534)	-
Broadcasting rights, current portion	620,801	-	-	-	620,801
Prepaid expenses	224,931	-	4,885	-	229,816
Total current assets	<u>1,843,596</u>	<u>-</u>	<u>6,609</u>	<u>(298,534)</u>	<u>1,551,671</u>
<b>Noncurrent assets</b>					
Property and equipment, net	7,257,684	-	7,667	-	7,265,351
Broadcasting rights, less current portion	233,784	-	-	-	233,784
Charitable gift annuity - unrestricted	92,582	-	-	-	92,582
Charitable gift annuity - temporarily restricted	103,941	-	-	-	103,941
Beneficial interest in perpetual trust	151,290	-	-	-	151,290
Total other assets	<u>7,839,281</u>	<u>-</u>	<u>7,667</u>	<u>-</u>	<u>7,846,948</u>
<b>Total Assets</b>	<u>\$ 9,682,877</u>	<u>\$ -</u>	<u>\$ 14,276</u>	<u>\$ (298,534)</u>	<u>\$ 9,398,619</u>

**LIABILITIES AND NET ASSETS**

<b>Current liabilities</b>					
Current portion of capital lease	\$ 43,612	\$ -	\$ 4,714	\$ -	\$ 48,326
Accounts payable and accrued expenses	1,212,345	-	34,307	-	1,246,652
Due to related entities	-	3,426	295,108	(298,534)	-
Accrued salaries and wages	167,501	-	-	-	167,501
Deferred support and revenue	308,617	-	331,265	-	639,882
Current portion of gift annuity liability	10,600	-	-	-	10,600
Total current liabilities	<u>1,742,675</u>	<u>3,426</u>	<u>665,394</u>	<u>(298,534)</u>	<u>2,112,961</u>
<b>Long-term liabilities</b>					
Capital lease, less current portion	35,105	-	3,301	-	38,406
Long-term portion of gift annuity liability	81,982	-	-	-	81,982
Total long-term liabilities	<u>117,087</u>	<u>-</u>	<u>3,301</u>	<u>-</u>	<u>120,388</u>
Total liabilities	<u>1,859,762</u>	<u>3,426</u>	<u>668,695</u>	<u>(298,534)</u>	<u>2,233,349</u>
<b>Net assets</b>					
Unrestricted	1,987,271	(3,426)	(654,419)	-	1,329,426
Temporarily restricted:					
For Festival Park premises and PECO grant improvements	5,581,145	-	-	-	5,581,145
For support of programming and production	254,699	-	-	-	254,699
Total temporarily restricted	<u>5,835,844</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,835,844</u>
Total net assets	<u>7,823,115</u>	<u>(3,426)</u>	<u>(654,419)</u>	<u>-</u>	<u>7,165,270</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 9,682,877</u>	<u>\$ -</u>	<u>\$ 14,276</u>	<u>\$ (298,534)</u>	<u>\$ 9,398,619</u>

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, 2017**

	<b>WJCT, Inc.</b>	<b>WJCT Foundation, Inc.</b>	<b>JCT Services, LLC</b>	<b>Consolidating Entries</b>	<b>Consolidated</b>
<b>Support and revenue</b>					
Support					
Grants	\$ 1,760,253	\$ -	\$ -	\$ -	\$ 1,760,253
Membership income	2,298,670	-	-	-	2,298,670
In-kind contributions	106,470	-	-	-	106,470
Total support	<u>4,165,393</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,165,393</u>
Revenue					
Underwriting	1,841,675	-	-	-	1,841,675
Production	69,884	-	-	-	69,884
Change in value of beneficial interest in perpetual trust	16,288	-	-	-	16,288
Change in value of charitable gift annuity	2,002	-	-	-	2,002
Master control service	164,083	-	1,325,493	(164,083)	1,325,493
Rental income	347,403	-	-	-	347,403
Other	516,001	-	-	-	516,001
Total revenue	<u>2,957,336</u>	<u>-</u>	<u>1,325,493</u>	<u>(164,083)</u>	<u>4,118,746</u>
Total support and revenue	<u>7,122,729</u>	<u>-</u>	<u>1,325,493</u>	<u>(164,083)</u>	<u>8,284,139</u>
<b>Expenses (Exhibit I)</b>					
Program services					
Programming and production	2,622,812	-	-	-	2,622,812
Broadcasting	2,054,811	-	1,336,619	(164,083)	3,227,347
Program information and promotion	198,268	-	-	-	198,268
Total program services	<u>4,875,891</u>	<u>-</u>	<u>1,336,619</u>	<u>(164,083)</u>	<u>6,048,427</u>
Supporting services					
Fundraising and membership development	857,346	-	-	-	857,346
Underwriting and grant solicitation	876,957	-	-	-	876,957
Management and general	733,748	1,550	-	-	735,298
Total supporting services	<u>2,468,051</u>	<u>1,550</u>	<u>-</u>	<u>-</u>	<u>2,469,601</u>
Total expenses	<u>7,343,942</u>	<u>1,550</u>	<u>1,336,619</u>	<u>(164,083)</u>	<u>8,518,028</u>
<b>Decrease in net assets</b>	(221,213)	(1,550)	(11,126)	-	(233,889)
<b>Net assets, beginning of year</b>	8,044,328	(1,876)	(643,293)	-	7,399,159
<b>Net assets, end of year</b>	<u>\$ 7,823,115</u>	<u>\$ (3,426)</u>	<u>\$ (654,419)</u>	<u>\$ -</u>	<u>\$ 7,165,270</u>

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, 2017**

**City of Jacksonville Grant Funding for Fiscal Year Ending September 30, 2017:**

<b><u>Receipt of City Funds:</u></b>	<b><u>FY 2015-2016</u></b>	<b><u>FY 2016-2017</u></b>
Amount of Award	\$ 282,961	\$ 282,235
Amount Received 10/1/15-9/30/16	(282,961)	-
Amount Received 10/1/16-9/30/17	-	(282,235)
Amount Remaining to be Disbursed	<u>\$ -</u>	<u>\$ -</u>

**Expenditures of City Funds:**

City FY 2015/16 CSGP

<b><u>Item</u></b>	<b><u>Approved Budget</u></b>	<b><u>Actual Expenditures 10/1/2015 - 9/30/2016</u></b>	<b><u>Remaining Balance</u></b>
Program Costs	<u>\$ 282,961</u>	<u>\$ 282,961</u>	<u>\$ -</u>

City FY 2016/17 CSGP

<b><u>Item</u></b>	<b><u>Approved Budget</u></b>	<b><u>Actual Expenditures 10/1/2016 - 9/30/2017</u></b>	<b><u>Remaining Balance</u></b>
Program Costs	<u>\$ 282,235</u>	<u>\$ 282,235</u>	<u>\$ -</u>

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



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATED 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, 2017, 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 19, 2018.

***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.

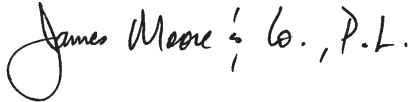
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given 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.

### ***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 19, 2018