

WJCT, INC. AND AFFILIATES
CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

**WJCT, INC. AND AFFILIATES
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SEPTEMBER 30, 2018 AND 2017**

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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, 2018 and 2017, 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, 2018 and 2017, 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.

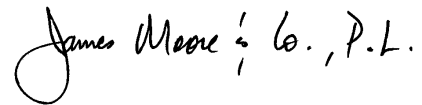
Other Matters

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 14, 2019, 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.



Gainesville, Florida

January 14, 2019, except as to Note 15 and Exhibits V and VI, which are as of April 1, 2019

WJCT, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2018 AND 2017

	2018	2017
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 566,454	\$ 271,382
Accounts receivable, net	353,236	327,810
Grants receivable	-	101,862
Broadcasting rights, current portion	14,301	13,817
Prepaid expenses	109,080	229,816
Total current assets	1,043,071	944,687
Noncurrent assets		
Property and equipment, net	6,772,991	7,265,351
Investments - charitable gift annuity	188,898	196,523
Beneficial interest in perpetual trust	154,931	151,290
Total other assets	7,116,820	7,613,164
Total Assets	\$ 8,159,891	\$ 8,557,851
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Current portion of capital lease	\$ 58,596	\$ 48,326
Accounts payable and accrued expenses	255,133	1,246,652
Accrued salaries and wages	173,397	167,501
Deferred support and revenue	533,252	639,882
Current portion of gift annuity liability	10,600	10,600
Total current liabilities	1,030,978	2,112,961
Long-term liabilities		
Capital lease, less current portion	120,855	38,406
Long-term portion of gift annuity liability	89,846	81,982
Total long-term liabilities	210,701	120,388
Total liabilities	1,241,679	2,233,349
Net assets		
Unrestricted	1,432,478	488,658
Temporarily restricted:		
For Festival Park premises and PECO grant improvements	5,243,632	5,581,145
For support of programming and production	242,102	254,699
Total temporarily restricted	5,485,734	5,835,844
Total net assets	6,918,212	6,324,502
Total Liabilities and Net Assets	\$ 8,159,891	\$ 8,557,851

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, 2018 AND 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue						
Support						
Grants	\$ 1,705,851	\$ -	\$ 1,705,851	\$ 1,760,253	\$ -	\$ 1,760,253
Membership income	2,112,008	-	2,112,008	2,298,670	-	2,298,670
In-kind contributions	102,625	-	102,625	106,470	-	106,470
Total support	<u>3,920,484</u>	<u>-</u>	<u>3,920,484</u>	<u>4,165,393</u>	<u>-</u>	<u>4,165,393</u>
Revenue						
Underwriting	1,958,926	-	1,958,926	1,841,675	-	1,841,675
Production	25,642	-	25,642	69,884	-	69,884
Change in value of beneficial interest in perpetual trust	-	10,437	10,437	-	16,288	16,288
Change in value of charitable gift annuity	-	(15,489)	(15,489)	-	2,002	2,002
Master control service	1,417,780	-	1,417,780	1,325,493	-	1,325,493
Rental income	383,847	-	383,847	347,403	-	347,403
Other	591,698	-	591,698	516,001	-	516,001
Total revenue	<u>4,377,893</u>	<u>(5,052)</u>	<u>4,372,841</u>	<u>4,100,456</u>	<u>18,290</u>	<u>4,118,746</u>
Total support and revenue	<u>8,298,377</u>	<u>(5,052)</u>	<u>8,293,325</u>	<u>8,265,849</u>	<u>18,290</u>	<u>8,284,139</u>
Net assets released from restrictions						
Satisfaction of activity restrictions	<u>345,058</u>	<u>(345,058)</u>	<u>-</u>	<u>344,000</u>	<u>(344,000)</u>	<u>-</u>
Total support and revenue after release from restrictions	<u>8,643,435</u>	<u>(350,110)</u>	<u>8,293,325</u>	<u>8,609,849</u>	<u>(325,710)</u>	<u>8,284,139</u>
Expenses (Exhibit I)						
Program services						
Programming and production	1,810,750	-	1,810,750	2,622,812	-	2,622,812
Broadcasting	3,201,532	-	3,201,532	3,227,347	-	3,227,347
Program information and promotion	100,469	-	100,469	198,268	-	198,268
Total program services	<u>5,112,751</u>	<u>-</u>	<u>5,112,751</u>	<u>6,048,427</u>	<u>-</u>	<u>6,048,427</u>
Supporting Services						
Fundraising and membership development	1,044,822	-	1,044,822	857,346	-	857,346
Underwriting and grant solicitation	874,561	-	874,561	876,957	-	876,957
Management and general	667,481	-	667,481	735,298	-	735,298
Total supporting services	<u>2,586,864</u>	<u>-</u>	<u>2,586,864</u>	<u>2,469,601</u>	<u>-</u>	<u>2,469,601</u>
Total expenses	<u>7,699,615</u>	<u>-</u>	<u>7,699,615</u>	<u>8,518,028</u>	<u>-</u>	<u>8,518,028</u>
Increase (decrease) in net assets	<u>943,820</u>	<u>(350,110)</u>	<u>593,710</u>	<u>91,821</u>	<u>(325,710)</u>	<u>(233,889)</u>
Net assets, beginning of year, as restated (see Note 14)	488,658	5,835,844	6,324,502	396,837	6,161,554	6,558,391
Net assets, end of year as restated for 2017 (see Note 14)	<u>\$ 1,432,478</u>	<u>\$ 5,485,734</u>	<u>\$ 6,918,212</u>	<u>\$ 488,658</u>	<u>\$ 5,835,844</u>	<u>\$ 7,165,270</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, 2018 AND 2017

	2018	2017
Cash flows from operating activities		
Cash received from grants, donors and fundraising activities	\$ 8,172,354	\$ 7,925,440
Cash paid to suppliers and employees	(7,658,538)	(7,495,671)
Cash paid for interest	(5,683)	(8,263)
Net cash provided by operating activities	508,133	421,506
Cash flows from investing activities		
Purchases of property and equipment	(122,119)	(165,912)
Net cash used in investing activities	(122,119)	(165,912)
Cash flows from financing activities		
Principal payments on long-term debt	-	(159,756)
Principal payments on capital leases	(90,942)	(50,771)
Proceeds from line of credit	200,000	-
Payments on line of credit	(200,000)	-
Net cash used in financing activities	(90,942)	(210,527)
Net increase in cash and cash equivalents	295,072	45,067
Cash and cash equivalents, beginning of year	271,382	226,315
Cash and cash equivalents, end of year	\$ 566,454	\$ 271,382
Reconciliation of increase (decrease) in net assets to net cash provided by operating activities:		
Increase (decrease) in net assets	\$ 593,710	\$ (233,889)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	759,531	748,827
Gain on investments	(2,812)	(12,811)
Distributions from beneficial interest in perpetual trust	6,796	6,456
Capital lease disposal	38,609	-
Change in certain assets/liabilities:		
Accounts receivable	(25,426)	(112,111)
Grants receivable	101,862	(101,862)
Broadcasting rights	(484)	918
Prepaid expenses	120,736	(75,188)
Accounts payable and accrued expenses	(991,519)	174,581
Accrued salaries and wages	5,896	58,486
Deferred support and revenue	(106,630)	(26,422)
Gift annuity liability	7,864	(5,479)
Total adjustments	(85,577)	655,395
Net cash provided by operating activities	\$ 508,133	\$ 421,506
Supplemental noncash information		
Capital lease additions	\$ 183,661	\$ -

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, 2018 AND 2017

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

(a) **Organization and operation**—WJCT, Inc. and Affiliates (the “Station”) operate a public service television (“WJCT TV”) and radio station (“WJCT FM”) 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 13). 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. The Station has no permanently restricted net assets as of September 30, 2018 and 2017.

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, 2018 AND 2017

(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 at September 30, 2017. There was no allowance for doubtful accounts at September 30, 2018.

(g) **Grants receivable**—For the year ended September 30, 2017, the Station has grants receivable due from the Florida Department of Education in the amount of \$101,862. There were no grants receivable at September 30, 2018.

(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.

(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.

WJCT, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

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

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.

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.

WJCT, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

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

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, 2018 and 2017, 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, 2018 and 2017, the Station had federal net operating losses of approximately \$2,900,000 and \$2,800,000 each year, respectively.

As of September 30, 2018 and 2017, the deferred tax assets consist of net operating loss carryforwards totaling approximately \$12,400,000 and \$12,300,000, respectively. The net operating loss carryforwards, if not utilized, will begin to expire in 2025. Based on the available objective evidence, including the Station's history of losses, management believes it is more likely than not that the net deferred tax assets will not be fully realizable. Accordingly, the Station provided for a full valuation allowance against its net deferred tax assets at September 30, 2018 and 2017 and the net deferred tax assets at September 30, 2018 and 2017, 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.

(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.

WJCT, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

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

(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, 2018 and 2017, was \$280,606 and \$320,638, respectively.

(u) **Subsequent events**—The Station has evaluated events and transactions through January 14, 2019, (except as to Note 15 and Exhibits V and VI, which are as of April 1, 2019) 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, 2018. 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.

In June 2018, the FASB issued Accounting Standards Update 2018-08: Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, to clarify whether a transaction should be considered a contribution or an

WJCT, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

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

exchange transaction and to determine whether a contribution is conditional. The new standard is effective for fiscal years beginning after December 15, 2018 and may be adopted earlier. 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.

(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, 2018 and 2017.

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.

Charitable Gift Annuity – Valued based on market values for identical assets or liabilities in active markets.

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, 2018 AND 2017

(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, 2018 and 2017:

	Assets and Liabilities at Fair Value as of September 30, 2018			
	Level 1	Level 2	Level 3	Total
Assets at fair value				
Charitable gift annuity (Note 4)	\$ 188,898	\$ -	\$ -	\$ 188,898
Beneficial interest in a perpetual trust (Note 3)	-	154,931	-	154,931
Total	\$ 188,898	\$ 154,931	\$ -	\$ 343,829

Liabilities at fair value

Charitable gift annuity (Note 4)	\$ 100,446	\$ -	\$ -	\$ 100,446
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	Assets and Liabilities at Fair Value as of September 30, 2017			
	Level 1	Level 2	Level 3	Total
Assets at fair value				
Charitable gift annuity (Note 4)	\$ 196,523	\$ -	\$ -	\$ 196,523
Beneficial interest in a perpetual trust (Note 3)	-	151,290	-	151,290
Total	\$ 196,523	\$ 151,290	\$ -	\$ 347,813

Liabilities at fair value

Charitable gift annuity (Note 4)	\$ 92,582	\$ -	\$ -	\$ 92,582
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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, 2018 and 2017, 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, 2018 and 2017, 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, 2018 AND 2017

(5) Property and Equipment:

A summary of property and equipment at September 30, 2018 and 2017, is as follows:

	2018	2017
Land	\$ 87,760	\$ 87,760
Buildings and improvements	15,169,503	15,071,666
Broadcast and other equipment	16,145,670	16,077,076
Total property and equipment	31,402,933	31,236,502
Less: Accumulated depreciation	(24,685,182)	(24,005,042)
Construction in process	55,240	33,891
	\$ 6,772,991	\$ 7,265,351

For the years ended September 30, 2018 and 2017, depreciation expense for property and equipment was \$759,531 and \$748,827, respectively. Depreciation expense related to assets leased under capital leases was \$62,350 and \$49,283 for the years ended September 30, 2018 and 2017, 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.

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 \$8,429,468 at September 30, 2018. Depreciation expense related to the facility was \$210,737 for the years ended September 30, 2018 and 2017. Accumulated depreciation was \$5,932,259 and \$5,721,523 at September 30, 2018 and 2017, 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, 2018 AND 2017

(7) 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, 2017. 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, 2018.

(8) Capital Leases:

The Station leases equipment under capital leases. As of September 30, 2018 and September 30, 2017, 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:

	<u>2018</u>	<u>2017</u>
Equipment	\$ 309,833	\$ 244,171
Less: Accumulated depreciation	<u>(139,197)</u>	<u>(156,239)</u>
Net book value	<u>\$ 170,636</u>	<u>\$ 87,932</u>

Capital lease obligations consist of the following as of September 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Equipment lease with monthly payments of \$1,980, including interest of 3.22%, due February 21, 2019. Lease collateralized by the leased equipment.	\$ 11,581	\$ 34,620
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
Equipment lease with monthly payments of \$187, including interest of 3.67%, due December 8, 2017. Lease collateralized by the leased equipment.	-	401
Equipment lease with monthly payments of \$297, including interest of 3.67%, due October 8, 2019. Lease collateralized by the leased equipment.	11,150	-
Equipment lease with monthly payments of \$3,823, including interest of 3.67%, due April 30, 2022. Lease collateralized by the leased equipment.	153,827	-

WJCT, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

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

	2018	2017
Equipment lease with monthly payments of \$422, including interest of 6.36%, due on May 1, 2019. Lease collateralized by the leased equipment.	\$ 2,893	\$ 7,614
Total capital leases	179,451	86,732
Less: Current portion	(58,596)	(48,326)
Long-term portion of capital leases	\$ 120,855	\$ 38,406

The following is a schedule by years of future minimum payments required under the lease as of September 30, 2018:

Years Ending September 30:	Amount
2019	\$ 64,270
2020	49,435
2021	49,435
2022	27,946
Total future minimum payments	191,086
Less: Amounts representing interest	(11,635)
Total future principal payment	\$ 179,451

(9) **Significant Concentrations:**

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

(a) **Cash and cash equivalents**—The Station maintains demand deposit and money market account balances which at times may exceed federally insured limits. The Station has not experienced any losses in such accounts. The Station had \$215,267 and \$61,441 in uninsured cash balances as of September 30, 2018 and 2017, respectively

(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, 2018 and 2017, the Digital Convergence Alliance provided approximately 17% and 16%, respectively and the Corporation for Public Broadcasting (CPB) provided approximately 12% for both years.

WJCT, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

(10) **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 2016-17</u>	<u>Expended 2017-18</u>	<u>Uncommitted Balance at September 30, 2018</u>
2017-19	\$ 931,427	\$ -	\$ 931,427	\$ -
2016-18	\$ 903,674	\$ 903,674	\$ -	\$ -

(11) **Lease Rental Income:**

The Station leases broadcast stations and transmitter tower space to unrelated third parties. Lease rental income totaled \$383,847 and \$347,403 for the years ended September 30, 2018 and 2017, 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, 2018 and 2017.

(12) **Retirement Plan:**

The Station sponsors a Retirement and Thrift Plan allowed by Section 403(b) of the Internal Revenue Code covering all full-time employees with one year of service. The Station has the discretion to increase or decrease matching contribution percentages each year, up to 5% of employee salaries. During the years ended September 30, 2018 and 2017, the Station provided no matching contributions.

(13) **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 each of the years ended September 30, 2018 and 2017, WJCT paid \$154,600 to the DCA for the provision of master control services.

JCT Services provides operational, management, engineering, and maintenance services for the DCA in exchange for an annual service fee of \$1,436,800, 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.

WJCT, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

(14) **Prior Period Restatement:**

The financial statements for the year ended September 30, 2017 have been restated to correct an error in prepaid expenses. The error resulted in an overstatement of assets and net assets for the years ended September 30, 2017. The effect of this adjustment on the September 30, 2017 financial statements is as follows:

	As originally presented at September 30, 2017	As restated at September 30, 2017
Broadcasting rights, current portion	\$ 620,801	\$ 13,817
Broadcasting rights, less current portion	233,784	-
Unrestricted net assets, beginning of the year	1,237,605	396,837

(15) **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 \$4,379,505 and \$5,626,763 for the years ended September 30, 2018 and September 30, 2017, respectively.

SUPPLEMENTAL INFORMATION

WJCT, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2018
(With summarized comparative totals for the year ended September 30, 2017)

	Program Services				Supporting Services				Total Expenses 2018	Total Expenses 2017
	Programming and Production	Broadcasting	Program Information and Promotion	Total	Fundraising and Membership Development	Underwriting and Grant Solicitation	Management and General	Total		
Salaries, wages and benefits	\$ 706,050	\$ 1,483,821	\$ 80,965	\$ 2,270,836	\$ 509,770	\$ 484,451	\$ 557,523	\$ 1,551,744	\$ 3,822,580	\$ 4,093,990
Occupancy	13,116	50,941	462	64,519	38,394	20,940	(10,251)	49,083	113,602	131,163
Programming costs	557,706	113,485	59	671,250	5,334	15,006	(194)	20,146	691,396	1,403,645
Repairs and maintenance	274	111,498	-	111,772	140,128	1,995	8,719	150,842	262,614	126,903
Travel and meetings	4,548	3,769	533	8,850	5,534	2,397	5,839	13,770	22,620	28,939
Advertising	2,150	-	7,300	9,450	410	407	-	817	10,267	14,791
Printing	4,609	25,787	6,850	37,246	111,350	23,398	4,386	139,134	176,380	177,987
Professional services	87,627	226,148	2,288	316,063	108,997	37,715	83,261	229,973	546,036	426,741
Supplies	275	13,473	-	13,748	99	220	3,632	3,951	17,699	16,399
Postage	5,608	10,546	185	16,339	12,717	2,453	734	15,904	32,243	47,918
Depreciation	120,334	624,155	-	744,489	7,521	-	7,521	15,042	759,531	748,827
Interest	-	3,180	-	3,180	-	-	2,503	2,503	5,683	8,263
Bad debts	-	-	-	-	-	9,735	-	9,735	9,735	32,932
In-kind	270,625	-	-	270,625	-	272,569	-	272,569	543,194	582,038
Membership maintenance	-	-	-	-	89,588	-	-	89,588	89,588	108,432
Utilities	21,492	257,516	1,827	280,835	14,980	3,275	2,988	21,243	302,078	301,389
Insurance	16,336	277,213	-	293,549	-	-	820	820	294,369	267,671
	<u>\$ 1,810,750</u>	<u>\$ 3,201,532</u>	<u>\$ 100,469</u>	<u>\$ 5,112,751</u>	<u>\$ 1,044,822</u>	<u>\$ 874,561</u>	<u>\$ 667,481</u>	<u>\$ 2,586,864</u>	<u>\$ 7,699,615</u>	<u>\$ 8,518,028</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, 2018

ASSETS

	WJCT, Inc.	WJCT Foundation, Inc.	JCT Services, LLC	Consolidating Entries	Consolidated
Current assets					
Cash and cash equivalents	\$ 564,453	\$ -	\$ 2,001	\$ -	\$ 566,454
Accounts receivable	323,947	-	29,289	-	353,236
Due from related entities	267,885	-	-	(267,885)	-
Broadcasting rights, current portion	14,301	-	-	-	14,301
Prepaid expenses	109,080	-	-	-	109,080
Total current assets	<u>1,279,666</u>	<u>-</u>	<u>31,290</u>	<u>(267,885)</u>	<u>1,043,071</u>
Noncurrent assets					
Property and equipment, net	6,759,993	-	12,998	-	6,772,991
Broadcasting rights, less current portion	-	-	-	-	-
Investments - charitable gift annuity	188,898	-	-	-	188,898
Beneficial interest in perpetual trust	154,931	-	-	-	154,931
Total other assets	<u>7,103,822</u>	<u>-</u>	<u>12,998</u>	<u>-</u>	<u>7,116,820</u>
Total Assets	<u>\$ 8,383,488</u>	<u>\$ -</u>	<u>\$ 44,288</u>	<u>\$ (267,885)</u>	<u>\$ 8,159,891</u>

LIABILITIES AND NET ASSETS

Current liabilities					
Current portion of capital lease	\$ 52,499	\$ -	\$ 6,097	\$ -	\$ 58,596
Accounts payable and accrued expenses	199,038	-	56,095	-	255,133
Due to related entities	-	5,099	262,786	(267,885)	-
Accrued salaries and wages	173,397	-	-	-	173,397
Deferred support and revenue	174,061	-	359,191	-	533,252
Current portion of gift annuity liability	10,600	-	-	-	10,600
Total current liabilities	<u>609,595</u>	<u>5,099</u>	<u>684,169</u>	<u>(267,885)</u>	<u>1,030,978</u>
Long-term liabilities					
Capital lease, less current portion	112,909	-	7,946	-	120,855
Long-term portion of gift annuity liability	89,846	-	-	-	89,846
Total long-term liabilities	<u>202,755</u>	<u>-</u>	<u>7,946</u>	<u>-</u>	<u>210,701</u>
Total liabilities	<u>812,350</u>	<u>5,099</u>	<u>692,115</u>	<u>(267,885)</u>	<u>1,241,679</u>
Net assets					
Unrestricted	2,085,404	(5,099)	(647,827)	-	1,432,478
Temporarily restricted:					
For Festival Park premises and PECO grant improvements	5,243,632	-	-	-	5,243,632
For support of programming and production	242,102	-	-	-	242,102
Total temporarily restricted	<u>5,485,734</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,485,734</u>
Total net assets	<u>7,571,138</u>	<u>(5,099)</u>	<u>(647,827)</u>	<u>-</u>	<u>6,918,212</u>
Total Liabilities and Net Assets	<u>\$ 8,383,488</u>	<u>\$ -</u>	<u>\$ 44,288</u>	<u>\$ (267,885)</u>	<u>\$ 8,159,891</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, 2018

	<u>WJCT, Inc.</u>	<u>WJCT Foundation, Inc.</u>	<u>JCT Services, LLC</u>	<u>Consolidating Entries</u>	<u>Consolidated</u>
Support and revenue					
Support					
Grants	\$ 1,705,851	\$ -	\$ -	\$ -	\$ 1,705,851
Membership income	2,112,008	-	-	-	2,112,008
In-kind contributions	102,625	-	-	-	102,625
Total support	<u>3,920,484</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,920,484</u>
Revenue					
Underwriting	1,958,926	-	-	-	1,958,926
Production	25,642	-	-	-	25,642
Change in value of beneficial interest in perpetual trust	10,437	-	-	-	10,437
Change in value of charitable gift annuity	(15,489)	-	-	-	(15,489)
Master control service	127,410	-	1,417,780	(127,410)	1,417,780
Rental income	383,847	-	-	-	383,847
Other	591,698	-	-	-	591,698
Total revenue	<u>3,082,471</u>	<u>-</u>	<u>1,417,780</u>	<u>(127,410)</u>	<u>4,372,841</u>
Total support and revenue	<u>7,002,955</u>	<u>-</u>	<u>1,417,780</u>	<u>(127,410)</u>	<u>8,293,325</u>
Expenses (Exhibit I)					
Program services					
Programming and production	1,810,750	-	-	-	1,810,750
Broadcasting	1,917,754	-	1,411,188	(127,410)	3,201,532
Program information and promotion	100,469	-	-	-	100,469
Total program services	<u>3,828,973</u>	<u>-</u>	<u>1,411,188</u>	<u>(127,410)</u>	<u>5,112,751</u>
Supporting services					
Fundraising and membership development	1,044,822	-	-	-	1,044,822
Underwriting and grant solicitation	874,561	-	-	-	874,561
Management and general	665,808	1,673	-	-	667,481
Total supporting services	<u>2,585,191</u>	<u>1,673</u>	<u>-</u>	<u>-</u>	<u>2,586,864</u>
Total expenses	<u>6,414,164</u>	<u>1,673</u>	<u>1,411,188</u>	<u>(127,410)</u>	<u>7,699,615</u>
Increase (decrease) in net assets	588,791	(1,673)	6,592	-	593,710
Net assets, beginning of year as restated (see Note 14)	6,982,347	(3,426)	(654,419)	-	6,324,502
Net assets, end of year	<u>\$ 7,571,138</u>	<u>\$ (5,099)</u>	<u>\$ (647,827)</u>	<u>\$ -</u>	<u>\$ 6,918,212</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, 2018**

City of Jacksonville Grant Funding for Fiscal Year Ending September 30, 2018:

<u>Receipt of City Funds:</u>	<u>FY 2016-2017</u>	<u>FY 2017-2018</u>
Amount of Award	\$ 282,235	\$ 269,045
Amount Received 10/1/16-9/30/17	(282,235)	-
Amount Received 10/1/17-9/30/18	-	(269,045)
Amount Remaining to be Disbursed	<u>\$ -</u>	<u>\$ -</u>

Expenditures of City Funds:

City FY 2016/17 CSGP

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

City FY 2017/18 CSGP

<u>Item</u>	<u>Approved Budget</u>	<u>Actual Expenditures 10/1/2017 - 9/30/2018</u>	<u>Remaining Balance</u>
Program Costs	<u>\$ 269,045</u>	<u>\$ 269,045</u>	<u>\$ -</u>

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

WJCT-TV
A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY WJCT, INC. AND AFFILIATES
SCHEDULE OF REVENUES AND EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Support and revenue		
Support		
Community service grants donated by the Corporation for		
Public Broadcasting	\$ 737,514.0	\$ 1,032,351.0
Other Corporation for Public Broadcasting grants	41,088	70,789
Other grants	339,699	346,003
Community service grants donated by the Department of		
Education, State of Florida	307,447	-
Membership income	1,117,490	1,260,912
In-kind contributions	83,823	86,742
Total support	<u>2,627,061</u>	<u>2,796,797</u>
Revenue		
Underwriting	667,061	587,284
Production	25,642	69,884
Change in value of beneficial interest in		
perpetual trust	10,437	16,288
Change in value of charitable gift annuity	(15,489)	2,002
Master control service	1,417,780	1,325,493
Rental income	314,524	287,679
Other	477,762	420,567
Total revenue	<u>2,897,717</u>	<u>2,709,197</u>
Total support and revenue	<u>5,524,778</u>	<u>5,505,994</u>
Expenses		
Program services		
Programming and production	1,448,600	2,098,250
Broadcasting	2,561,226	2,581,878
Program information and promotion	60,281	118,961
Total program services	<u>4,070,107</u>	<u>4,799,089</u>
Supporting services		
Fundraising and membership development	626,893	514,408
Underwriting and grant solicitation	524,737	526,174
Management and general	400,489	441,179
Total supporting services	<u>1,552,119</u>	<u>1,481,761</u>
Total expenses	<u>\$ 5,622,226</u>	<u>\$ 6,280,850</u>

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

WJCT-FM
A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY WJCT, INC. AND AFFILIATES
SCHEDULE OF REVENUES AND EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Support and revenue		
Support		
Community service grants donated by the Corporation for Public Broadcasting	\$ 179,843	\$ 178,770
Other Corporation for Public Broadcasting grants	-	30,000
Other grants	260	2,340
Community service grants donated by the Department of Education, State of Florida	100,000	100,000
Membership income	994,518	1,037,758
In-kind contributions	18,802	19,728
Total support	<u>1,293,423</u>	<u>1,368,596</u>
Revenue		
Underwriting	1,291,865	1,254,391
Rental income	69,323	59,724
Other	113,936	95,434
Total revenue	<u>1,475,124</u>	<u>1,409,549</u>
Total support and revenue	<u>2,768,547</u>	<u>2,778,145</u>
Expenses		
Program services		
Programming and production	362,150	524,562
Broadcasting	640,306	645,469
Program information and promotion	40,188	79,307
Total program services	<u>1,042,644</u>	<u>1,249,338</u>
Supporting services		
Fundraising and membership development	417,929	342,938
Underwriting and grant solicitation	349,824	350,783
Management and general	266,992	294,119
Total supporting services	<u>1,034,745</u>	<u>987,840</u>
Total expenses	<u>\$ 2,077,389</u>	<u>\$ 2,237,178</u>

The accompanying notes to 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, 2018, and the related notes to the consolidated financial statements, which collectively comprise the Station's basic financial statements, and have issued our report thereon dated January 14, 2019.

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.

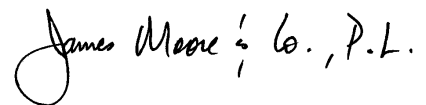
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given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

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 14, 2019, except as to Note 15 and Exhibits V and VI, which are as of April 1, 2019