

**Community Television Foundation
of South Florida, Inc. and Affiliates**

Consolidated Financial Statements
and Additional Information
For the Years Ended June 30, 2015 and 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Community Television Foundation
of South Florida, Inc. and Affiliates
Miami, Florida

We have audited the accompanying consolidated financial statements of Community Television Foundation of South Florida, Inc. and Affiliates (the "Foundation"), which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 audit 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 financial position of Community Television Foundation of South Florida, Inc. and Affiliates as of June 30, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedules of other financial information on pages 21 through 24 are presented for purposes of additional analysis and are 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2015, on our consideration of the Foundation'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 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 Foundation's internal control over financial reporting and compliance.

KEEFE McCULLOUGH

Fort Lauderdale, Florida
October 23, 2015

FINANCIAL STATEMENTS

Community Television Foundation of South Florida, Inc. and Affiliates
Consolidated Statements of Financial Position
June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Current Assets:		
Cash and cash equivalents	\$ 1,675,859	\$ 559,204
Receivables, net of allowance for doubtful accounts of \$ 16,000 and \$ 2,882 in 2015 and 2014, respectively	878,273	597,314
Prepaid expenses and other assets	235,748	298,995
Program broadcast rights, net of amortization	<u>837,418</u>	<u>748,235</u>
Total current assets	3,627,298	2,203,748
Other assets	98,440	209,425
Investments	17,612,934	20,689,038
Cash surrender value and premiums receivable on life insurance policies	811,536	830,324
Program broadcast rights, net of amortization, noncurrent portion	441,506	387,863
Property and equipment, net	<u>5,130,439</u>	<u>6,205,046</u>
Total assets	<u>\$ 27,722,153</u>	<u>\$ 30,525,444</u>
Liabilities:		
Current liabilities:		
Accounts payable	\$ 1,281,613	\$ 752,884
Accrued expenses	428,485	473,214
Current portion of pension liability	-	158,235
Refundable program advances	193,643	816,624
Program broadcast rights payable	71,685	47,136
Present value of annuity obligations	161,361	168,055
Line of credit	1,500,000	1,500,000
Capital lease payable	<u>146,579</u>	<u>277,212</u>
Total current liabilities	3,783,366	4,193,360
Borrowings with financial institution	1,440,608	1,404,014
Deferred compensation payable	143,010	172,644
Program broadcast rights payable, noncurrent portion	40,635	-
Deferred revenue	569,484	596,530
Present value of annuity obligations	1,434,357	1,488,441
Pension liability, due beyond one year	2,818,356	2,120,285
Capital lease payable, due beyond one year	<u>859,315</u>	<u>765,576</u>
Total liabilities	<u>11,089,131</u>	<u>10,740,850</u>
Net Assets:		
Unrestricted:		
Board designated	6,893,707	6,503,437
Undesignated (deficit)	(1,843,958)	1,519,291
Temporarily restricted	4,807,981	4,986,574
Permanently restricted	<u>6,775,292</u>	<u>6,775,292</u>
Total net assets	<u>16,633,022</u>	<u>19,784,594</u>
Total liabilities and net assets	<u>\$ 27,722,153</u>	<u>\$ 30,525,444</u>

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

Community Television Foundation of South Florida, Inc. and Affiliates
Consolidated Statements of Activities
June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Change in Unrestricted Net Assets:		
Revenues, gains (losses) and other support:		
Contract productions	\$ 2,410,462	\$ 1,674,571
Contributions and bequests	4,714,390	4,527,300
Satisfaction of program restrictions	509,384	366,772
Corporation for Public Broadcasting:		
Community Service Grant	1,164,526	1,065,019
State of Florida Department of Education:		
Community Service Grant	307,447	307,447
Capital Grant	77,335	-
Program underwriting	1,249,499	1,199,438
Interest income	313,907	448,362
Other	99,952	230,038
Gain (loss) on sale of property and equipment	(118)	444,363
Net realized gain on sale of investments	1,342,318	2,403,421
Net unrealized gain (loss) on investments	<u>(965,131)</u>	<u>140,885</u>
 Total revenues, gains (losses) and other support	 <u>11,223,971</u>	 <u>12,807,616</u>
 Operating expenses:		
Program production, acquisition and delivery	8,481,131	8,261,543
Development and marketing	3,055,516	3,142,345
General and administrative	1,729,276	1,644,533
Interest expense	<u>219,851</u>	<u>274,728</u>
 Total operating expenses	 <u>13,485,774</u>	 <u>13,323,149</u>
 Change in unrestricted net assets	 <u>(2,261,803)</u>	 <u>(515,533)</u>
Change in Temporarily Restricted Net Assets:		
Interest income	151,493	157,039
Net unrealized gain (loss) on investments	(72,912)	572,745
Change in present value of annuity obligations	35,777	40,658
Net assets released from restrictions	(509,384)	(366,772)
Net realized gain on sale of investments	<u>216,433</u>	<u>181,565</u>
 Change in temporarily restricted net assets	 <u>(178,593)</u>	 <u>585,235</u>
 Change in total net assets	 <u>(2,440,396)</u>	 <u>69,702</u>
 Pension Liability Adjustment	 <u>(711,176)</u>	 <u>839,881</u>
 Net Assets, beginning of year	 <u>19,784,594</u>	 <u>18,875,011</u>
 Net Assets, end of year	 <u>\$ 16,633,022</u>	 <u>\$ 19,784,594</u>

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

Community Television Foundation of South Florida, Inc. and Affiliates
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating Activities:		
Cash received from supporters and customers	\$ 9,752,019	\$ 8,889,627
Interest received	473,196	677,407
Interest paid	(219,851)	(274,728)
Cash paid to acquire programs	(2,023,918)	(1,863,603)
Cash paid for support services, to suppliers and employers	<u>(10,254,092)</u>	<u>(11,072,688)</u>
Net cash used in operating activities	<u>(2,272,646)</u>	<u>(3,643,985)</u>
Investing Activities:		
Cash received from sales or maturities of investments	3,642,464	7,474,634
Cash received from sales of property and equipment	-	1,371,966
Cash paid for property and equipment	(79,167)	(204,010)
Cash paid for investments	<u>(83,882)</u>	<u>(3,671,568)</u>
Net cash provided by investing activities	<u>3,479,415</u>	<u>4,971,022</u>
Financing Activities:		
Borrowings from financial institution	1,920,000	1,940,921
Repayment of borrowings from financial institution	(2,010,114)	(3,809,229)
Capital lease proceeds	-	600,000
Net cash used in financing activities	<u>(90,114)</u>	<u>(1,268,308)</u>
Net change in cash and cash equivalents	1,116,655	58,729
Cash and Cash Equivalents, beginning of year	<u>559,204</u>	<u>500,475</u>
Cash and Cash Equivalents, end of year	\$ <u><u>1,675,859</u></u>	\$ <u><u>559,204</u></u>
Reconciliation of Change in Net Assets to Net Cash Used in Operating Activities:		
Change in net assets	\$ (2,440,396)	\$ 69,702
Adjustments:		
Amortization of program rights	1,881,092	1,799,086
Provision for depreciation	1,216,424	1,360,430
Net unrealized (gain) loss on investments	1,038,043	(713,630)
Change in present value of annuity obligation	(60,778)	(48,390)
Accretion of discount on investments	38,230	74,078
In-kind and barter revenue and expense, net	(22,434)	5,490
Net realized gain on sale of investments and property and equipment	(1,558,633)	(3,029,349)
Program acquisitions	(2,023,918)	(1,863,603)
Bad debt expense	13,900	-
Changes in assets and liabilities:		
Receivables	(324,585)	(196,629)
Prepaid expenses and other assets	174,232	(219,812)
Cash surrender value on life insurance policies over deferred compensation payable	(10,846)	(11,333)
Accounts payable, accrued expenses and pension liability	364,820	(1,218,043)
Refundable program advances	(622,981)	351,022
Program broadcast rights	<u>65,184</u>	<u>(3,004)</u>
Net cash used in operating activities	\$ <u><u>(2,272,646)</u></u>	\$ <u><u>(3,643,985)</u></u>

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

Community Television Foundation of South Florida, Inc. and Affiliates
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Note 1 - Organization and Operations

Community Television Foundation of South Florida, Inc. (CTF) operates a television station WPBT on Channel 2, televising to the seven-county South Florida service area. WPBT is a noncommercial television station and is affiliated with the Public Broadcasting Service. CTF also produces program features and series for national and international distribution.

Note 2 - Summary of Significant Accounting Policies

Principles of consolidation: The consolidated financial statements include the accounts of CTF, WPBT Communications Foundation, Inc. (WCFI), and WCFI's wholly-owned affiliate, Comtel, Inc. (Comtel), (collectively referred to hereinafter as CTF). All significant intercompany balances and transactions have been eliminated in consolidation.

WCFI was created by the Board of Directors of CTF for the purpose of providing support to CTF and all of its Board of Directors are members of CTF's Board of Directors. WCFI's funding is obtained primarily through contributions, bequests and investment earnings. Comtel is a for-profit entity, which derives revenue primarily from the production of television material for commercial distribution. Contract productions are the primary source of Comtel's revenue.

Basis of presentation: Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of CTF are classified and reported as follows:

Unrestricted - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Temporarily restricted - Net assets whose use by CTF is subject to donor-imposed restrictions that can be fulfilled by actions of CTF or that expire by the passage of time.

Permanently restricted - Net assets subject to donor-imposed restrictions, which require that they be maintained permanently by CTF. Generally, the donors of these assets permit CTF to use all or part of the investment return on these assets. Such assets include CTF's permanent endowment funds.

Program broadcast rights: Program broadcast rights are recorded at the lower of unamortized cost or estimated net realizable value. Program broadcast rights are amortized over the contract period generally using the straight-line method. The estimated cost of program broadcast rights to be charged to operations during the next year has been classified as a current asset.

Property and equipment: Property and equipment is stated at cost less accumulated depreciation, except that donated property and equipment used in the normal course of business is stated at its approximate fair value at the date of donation. Depreciation is computed using principally the straight-line method over the estimated useful lives (Note 7) of the assets. Costs of repairs and maintenance are charged to operating expense as incurred; improvements and betterments are capitalized. When items are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any resulting gains or losses are credited or charged to operations. It is the Foundation's policy to capitalize all property and equipment assets in excess of \$ 800.

Note 2 - Summary of Significant Accounting Policies (continued)

Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Without donor stipulations regarding how long these donated assets must be maintained, CTF reports expirations of donor restrictions when the donated assets are placed in service, reclassifying temporarily restricted net assets to unrestricted net assets at that time. For the years ended June 30, 2015 and 2014, no donated property or equipment was received.

Investments: All investments in equity and debt securities are measured at fair value. Estimates of fair value are made based on quoted market prices of the related security. Investments consist of corporate and foreign bonds, certificates of deposits, and marketable equity securities. CTF, by policy, limits the amount of credit exposure to any one counter party.

Investment securities held by WCFI have been classified as long-term assets in the accompanying consolidated statements of financial position because they have been designated by the Board of Directors as a quasi-endowment fund for the long-term support of CTF (Note 3).

Cash and cash equivalents: CTF considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. CTF maintains cash balances at financial institutions which may, at times, exceed Federally insured amounts.

Contract production and program underwriting: Contract production revenue is recorded as the related program is aired or when the contract obligation is fulfilled. Revenue for program underwriting is recorded on a prorata basis over the period covered.

Contributions: Unconditional contributions, including unconditional promises to give are reported as increases in either unrestricted, temporarily restricted or permanently restricted net assets. Other contributions are reported as increases in the appropriate category of net assets, except for those contributions subject to donor-imposed restrictions that are met in the same fiscal year they are received, which are included in unrestricted revenues. Expenses are reported as decreases in unrestricted net assets. Both realized and unrealized gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of donor-imposed restrictions that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes of net assets as net assets released from restrictions and satisfaction of program restrictions in the consolidated statements of activities. Conditional promises to give are recognized when the conditions on which they depend are substantially met. CTF had no conditional promises to give as of June 30, 2015 and 2014.

Contribution revenue related to the fair value of interests in an estate is recognized when CTF is notified by the probate court that the related will is valid, unless the amounts and timing of the distributions from the estate are uncertain, in which case the related revenue is recorded upon receipt. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Contributions under split interest agreements are recorded at the fair value of the future interest, taking into account the present value of any related payments to be made to other beneficiaries. Present value computations are made using published Internal Revenue Service mortality tables and a discount rate commensurate with the risk involved at the inception of each individual split interest arrangement. Changes in the present value of annuity obligations are recognized in the consolidated statements of activities and classified by appropriate net asset class to reflect the accretion of interest and changes in mortality assumptions.

Note 2 - Summary of Significant Accounting Policies (continued)

In-kind contributions: In-kind contributions are recorded as revenue and expense in the accompanying consolidated statement of activities. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. No in-kind contributions were recognized during the year ended June 30, 2015. Approximately \$ 17,600 of in-kind contributions were recognized as revenue and expenses during the year ended June 30, 2014.

Barter agreements: CTF enters into certain barter arrangements whereby CTF receives marketing and advertising services in exchange for on-air credits and acknowledgments. Barter revenue is recognized when the on-air credits and acknowledgments are broadcast, and barter costs when the services are received or used. The amount of barter revenue recognized during the years ended June 30, 2015 and 2014 equaled \$ 146,857 and \$ 103,841, respectively. The amount of barter expense recognized during the years ended June 30, 2015 and 2014 equaled \$ 124,423 and \$ 109,331 respectively.

Estimates and assumptions: The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of consolidated financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates and assumptions.

Fundraising appeals: CTF utilizes various pamphlets, brochures and informational methods to inform the general public of their activities and to solicit funds. These costs are charged to development and marketing.

Date of management review: Subsequent events have been evaluated through October 23, 2015, which is the date the financial statements were available to be issued.

Note 3 - Net Assets

Unrestricted net assets include Board-designated quasi-endowment funds, together with interest thereon, which, in accordance with the provisions of the endowment fund established by WCFI for the support of CTF, are required to remain in the endowment investment fund except as follows:

- An annual amount equal to 7% of the total funds in the endowment shall be paid out at the direction of CTF. Eligible funds consist of all unrestricted funds and earnings of the true endowments. At its option, CTF may withdraw the entire 7% in any fiscal year or defer payment thereof until future years.

The net unrestricted assets of the quasi-endowment amounted to \$ 6,893,707 at June 30, 2015 and \$ 6,503,437 at June 30, 2014, and are classified as Board designated in the accompanying consolidated statements of financial position. CTF elected to withdraw from the quasi-endowment fund, \$ 279,174 and \$ 2,454,523, as provided under the endowment's terms, for the years ended June 30, 2015 and 2014, respectively.

Community Television Foundation of South Florida, Inc. and Affiliates
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Note 3 - Net Assets (continued)

Temporarily restricted net assets reflect WCFI's interest in a charitable remainder trust, annuity agreements, and two funds established for specific types of programs. Under the terms of the trust and annuity agreements, WCFI is required to pay the donor, or the donor's designee, an annual return on the underlying assets during their lifetime. Upon the death of the donor or designee, such amounts will revert to WCFI and will be reclassified from temporarily restricted net assets to unrestricted net assets. In 2015 and 2014, CTF used \$ 250,855 and \$ 153,949 for the purchase of the designated types of programs from the two funds established for specific types of programs.

Permanently restricted net assets are assets restricted by the donor to be held in an endowment fund in perpetuity. Investment returns on endowment funds which are required to be added to the related endowment by donor stipulations or by law are also classified as permanently restricted net assets. Investment returns on endowment funds, which are not required to be added to the related endowment are classified as temporarily restricted or unrestricted net assets. CTF received \$ 359,913 and \$ 299,214 during the years ended June 30, 2015 and 2014, respectively, from the earnings of the true endowment for specific programming purposes. Additionally, CTF received \$ 79,417 and \$ 80,956 during the years ended June 30, 2015 and 2014 from the earnings of the Vernon Julianne Trust.

Note 4 - Investments

Investments at June 30, 2015 and 2014, consist of the following:

	<u>2015</u>	<u>2014</u>
Unrestricted investments:		
Equity funds and corporate and foreign bonds pledged as collateral in connection with the borrowing with financial institution (Note 8)	\$ 2,881,218	\$ 2,808,028
Equity funds	279,314	1,363,327
Corporate and foreign bonds	<u>120,565</u>	<u>798,607</u>
Total unrestricted investments	<u>3,281,097</u>	<u>4,969,962</u>
Restricted investments:		
Investment of endowment funds in equity funds	6,128,296	7,244,716
Investments of endowment funds in corporate and foreign bonds	2,179,090	2,226,661
Investments of gifts of future interest in equity funds	3,158,514	3,340,131
Investment of gifts of future interest, corporate and foreign interest bearing securities and certificates of deposits	<u>2,865,937</u>	<u>2,907,568</u>
Total restricted investments	<u>14,331,837</u>	<u>15,719,076</u>
Total investments	<u>\$ 17,612,934</u>	<u>\$ 20,689,038</u>

Community Television Foundation of South Florida, Inc. and Affiliates
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Note 5 - Fair Value Measurement

In accordance with the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 820, *Fair Value Measurements and Disclosures*, WCFI provides certain disclosures based on a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. ASC No. 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical investments that WCFI has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included with Level 1 that are observable for the investments, either directly or indirectly. (e.g. quoted prices in active markets for similar securities, securities valuations based on commonly quoted benchmarks, interest rates and yield curves, and/or securities indices.)
- Level 3 inputs are unobservable inputs for the investments. (e.g. information about assumptions, including risk, market participants would use in pricing a security.)

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following table represents the investments at June 30, 2015 and 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total 2015</u>
ASSET CLASS:				
Equities and equity funds	\$ 11,578,646	\$ -	\$ -	\$ 11,578,646
Corporate and foreign bonds	-	5,629,393	-	5,629,393
Certificates of deposit	-	404,895	-	404,895
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	\$ <u>11,578,646</u>	\$ <u>6,034,288</u>	\$ <u>-</u>	\$ <u>17,612,934</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total 2014</u>
ASSET CLASS:				
Equities and equity funds	\$ 13,718,933	\$ -	\$ -	\$ 13,718,933
Corporate bonds	-	6,511,325	-	6,511,325
Certificates of deposit	-	458,780	-	458,780
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	\$ <u>13,718,933</u>	\$ <u>6,970,105</u>	\$ <u>-</u>	\$ <u>20,689,038</u>

For the years ended June 30, 2015 and 2014, there were no transfers between Level 1, 2 and 3. The Foundation's policy is to recognize transfers in and out as of the actual date of the event or change in circumstances that caused the transfer.

Community Television Foundation of South Florida, Inc. and Affiliates
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Note 6 - Endowments

WCFI has endowed funds established for the support of CTF. The endowment includes both donor restricted endowment funds and funds designated by WCFI to function as endowments. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated to function as endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law: The Board of Directors interprets the State of Florida's Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, we classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Investment policies: The goal of the investment program for the endowment is to provide an annual level of support for the current programs of Community Television Foundation of South Florida, Inc. consistent with the preservation of WCFI's purchasing power over time. Assets held shall be diversified to control the risk of loss resulting from the over-concentration of funds in a specific maturity, issue or type/class of securities.

Spending policies: WCFI has a policy of appropriating for distribution an amount equal to 7% of the total available funds in the endowment. CTF has the option to withdraw the entire 7% in any fiscal year or defer payment thereof until future years. At the discretion of the Board, WCFI may grant CTF additional funding.

Endowment net asset composition by type of fund as of June 30, 2015 and 2014 is as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total 2015</u>
Donor-restricted endowment funds	\$ -	\$ 6,775,292	\$ 6,775,292
Board-designated endowment funds	<u>6,893,707</u>	<u>-</u>	<u>6,893,707</u>
Total funds	<u>\$ 6,893,707</u>	<u>\$ 6,775,292</u>	<u>\$ 13,668,999</u>
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total 2014</u>
Donor-restricted endowment funds	\$ -	\$ 6,775,292	\$ 6,775,292
Board-designated endowment funds	<u>6,503,437</u>	<u>-</u>	<u>6,503,437</u>
Total funds	<u>\$ 6,503,437</u>	<u>\$ 6,775,292</u>	<u>\$ 13,278,729</u>

Community Television Foundation of South Florida, Inc. and Affiliates
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Note 6 - Endowments (continued)

Changes in endowment net assets for the fiscal year ended June 30, 2015 and 2014 are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total 2015</u>
Endowment net assets, at beginning of year	\$ 6,503,437	\$ 6,775,292	\$ 13,278,729
Investment income	295,589	-	295,589
Net depreciation (realized and unrealized)	395,450	-	395,450
Contributions and other	978,350	-	978,350
Satisfaction of program restrictions	509,384	-	509,384
Appropriation of endowment assets for expenditure	<u>(1,788,503)</u>	<u>-</u>	<u>(1,788,503)</u>
Endowment net assets, at end of year	<u>\$ 6,893,707</u>	<u>\$ 6,775,292</u>	<u>\$ 13,668,999</u>
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total 2014</u>
Endowment net assets, at beginning of year	\$ 6,636,562	\$ 6,775,292	\$ 13,411,854
Investment income	354,306	-	354,306
Net appreciation (realized and unrealized)	2,523,269	-	2,523,269
Contributions	501,578	-	501,578
Satisfaction of program restrictions	366,772	-	366,772
Appropriation of endowment assets for expenditure	<u>(3,879,050)</u>	<u>-</u>	<u>(3,879,050)</u>
Endowment net assets, at end of year	<u>\$ 6,503,437</u>	<u>\$ 6,775,292</u>	<u>\$ 13,278,729</u>

Community Television Foundation of South Florida, Inc. and Affiliates
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Note 7 - Property and Equipment

Property and equipment consists of the following as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>	<u>Estimated Useful Lives in Years</u>
Engineering and production equipment	\$ 16,272,095	\$ 16,189,655	7
Computer, office furniture and equipment	5,517,809	5,609,230	5-7
Building and improvements	6,388,292	6,387,292	15-30
Transmitter, tower and antenna	3,991,481	3,991,481	15-30
Vehicles	43,006	43,006	3
	<u>32,212,683</u>	<u>32,220,664</u>	
Less accumulated depreciation	<u>27,682,069</u>	<u>26,615,443</u>	
	4,530,614	5,605,221	
Land	<u>599,825</u>	<u>599,825</u>	
	<u>\$ 5,130,439</u>	<u>\$ 6,205,046</u>	

Provision for depreciation is classified as follows in the accompanying consolidated statements of activities:

	<u>2015</u>	<u>2014</u>
Program production, acquisition and delivery	\$ 1,214,291	\$ 1,357,212
General and administrative	1,850	2,910
Development and marketing	283	308
	<u>\$ 1,216,424</u>	<u>\$ 1,360,430</u>

Note 8 - Borrowings with Financial Institution

WCFI entered into an agreement with an investment company to borrow against investment holdings. The loan balances at June 30, 2015 and 2014 were \$ 1,440,608 and \$ 1,404,014, respectively, with interest at 0.5% below the broker-call rate (1.5% at June 30, 2015). The loan is collateralized by investments, with a fair value of \$ 2,881,218 and \$ 2,808,028 at June 30, 2015 and 2014.

Interest expense, for the years ended June 30, 2015 and 2014 was \$ 17,974 and \$ 34,571, respectively.

Note 8 - Borrowings with Financial Institution (continued)

CTF also entered into an agreement with its investment company to borrow against investment holdings. During the year ended June 30, 2015, CTF took additional loans from this facility and paid them off. During the year ended June 30, 2014, CTF sold a portion of its investments and paid off the loan. As of June 30, 2015 and June 30, 2014 these loans were paid in-full. The interest rate is 0.5% below broker-call rate (1.5% at June 30, 2015).

Interest expense for the years ended June 30, 2015 and 2014 was \$ 5,989 and \$ 24,485, respectively.

Note 9 - Community Service and Other 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 telecommunications entities. CSGs are used to augment the financial resources of public broadcasting stations 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 of America Code Annotated Section 396(k)(7), (1983) Supplement. In any event, each grant must be expended within two years of the initial grant authorization date.

According to the Communications Act, funds may be used at the discretion of its recipients. CTF uses these funds for purposes relating to the production and acquisition of programming. Also, the grants may be used to sustain activities begun with Community Service Grants awarded in prior years.

These Community Service Grants are reported in the accompanying consolidated financial statements as unrestricted revenues; however, certain guidelines must be satisfied in connection with the application for and use of the grants to maintain eligibility and compliance requirements. These guidelines pertain to the use of grant funds, recordkeeping, audits, financial reporting, and license status with the Federal Communications Commission.

The State of Florida Department of Education also distributes annual Community Service Grants to public telecommunications entities in the state. CTF received \$ 307,447 for the years ended June 30, 2015 and 2014.

Note 10 - Line of Credit

CTF has a line of credit of \$ 1,500,000, which provides for interest on outstanding borrowings at the prevailing prime rate (3.25% at both June 30, 2015 and 2014). The line of credit matures on April 30, 2016, and is subject to renewal on an annual basis. At June 30, 2015 and 2014 the outstanding balance was \$ 1,500,000. The lender holds a security interest in certain cash deposits and investments maintained with them and the balance is guaranteed by WCFI.

Note 11 - Split Interest Agreements

The Foundation accepts gifts subject to split interest agreements. A split interest agreement is created when a donor contributes assets to the Foundation or places them in a trust for the benefit of the Foundation, but the Foundation is not the sole beneficiary of the assets economic value. These gifts are in the form of charitable gift annuities or charitable remainder annuity trusts which provide that the Foundation, as trustee, make payments to designated beneficiaries in accordance with the applicable donor's trust or contractual agreement. At the time of agreement, gifts are recorded at the fair market value of the asset received net of any applicable liability. Liabilities include the present value of projected future distributions to the annuity or trust beneficiaries and are determined using the Internal Revenue Service rate for computing charitable deductions for such gifts in effect at the time of the gift. The present value of the estimated future payments is \$ 1,595,718 and \$ 1,656,496 at June 30, 2015 and 2014, respectively, using discount rates ranging from 1.96% to 5.89% and applicable mortality tables. On an annual basis, the Foundation reevaluates the amount of estimated future payments. As of June 30, 2015 and 2014, the Foundation reported a change in value of split-interest agreements of \$ (60,779) and \$ (48,390), respectively. Split interest agreements are recorded as temporarily restricted or permanently restricted depending on donor imposed stipulations. The Foundation holds qualifying assets in excess of the minimum gift annuity reserves required by Florida law. The reserve amount is calculated following assumptions set forth by Florida Statute in Section 627.481(2)(a)1.b.

Note 12 - Program Production, Acquisition and Delivery

Program production, acquisition and delivery expenses for the years ended June 30, 2015 and 2014, included the following:

	<u>2015</u>	<u>2014</u>
Broadcasting and delivery	\$ 3,065,174	\$ 3,121,326
Acquired programming	2,810,904	2,778,051
Other program production	2,376,552	2,105,780
Commercial production	<u>228,501</u>	<u>256,386</u>
Total program production, acquisition and delivery	<u>\$ 8,481,131</u>	<u>\$ 8,261,543</u>

Note 13 - Employee Benefit Plans

CTF sponsored a noncontributory defined benefit pension plan (the Plan) that covered substantially all of its employees. The Plan was amended effective March 30, 2006 to provide that there will be no further benefits after that date. Benefits previously accrued under the Plan will be preserved, but no additional increases in accrued benefits will occur after that date. Benefits are based on an employee's years of service and earnings during the ten years ending March 30, 2006. In accordance with its present annual funding policy, CTF contributes the minimum amount required by regulations of the Employee Retirement Income Security Act. For the years ending June 30, 2015 and 2014, CTF contributed \$ 158,235 and \$ 648,868, respectively. There is no minimum contribution for the 15/16 Plan year.

Note 13 - Employee Benefit Plans (continued)

In accordance with the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 958-715, *Not-for-Profit Entities, Compensation - Retirement Benefits*, CTF recognizes the funded status of a benefit plan, measured as the difference between plan assets at fair value and the benefit obligation, in the balance sheet.

The following table displays the funding status of the Plan:

	<u>2015</u>	<u>2014</u>
Fair value of Plan assets	\$ 11,902,841	\$ 12,400,977
Projected benefit obligation	<u>(14,721,197)</u>	<u>(14,679,497)</u>
Unfunded liability	<u>\$ (2,818,356)</u>	<u>\$ (2,278,520)</u>

There were benefits of \$ 726,278 and \$ 678,964 paid during the years ended June 30, 2015 and 2014, respectively. Further, CTF recorded a pension expense of (\$ 13,105) and \$ 116,916 in 2015 and 2014.

Substantially all of the Plan's assets are invested in fixed income debt securities and equities. Asset allocation by asset category based on fair value are as follows:

	<u>2015</u>	<u>2014</u>
Equity securities	42%	40%
Debt securities	58%	60%

The target asset allocation, according to the Plan's investment policy, is 60% for debt securities and 40% for equity securities.

The following assumptions were used to determine the benefit obligation and the net benefit costs:

	<u>2015</u>	<u>2014</u>
Weighted-average assumptions:		
Discount rate to determine benefit obligation	4.5%	4.5%
Discount rate to determine net periodic pension costs	4.5%	4.5%
Expected rate of return on Plan assets	7.5%	7.5%
Mortality table	Mortality Rates	Mortality Rates
	Mandated By IRS	Mandated By IRS
Measurement date	6/30/15	6/30/14

Community Television Foundation of South Florida, Inc. and Affiliates
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Note 13 - Employee Benefit Plans (continued)

The following table reflects the changes in the pension liability using the above assumptions:

	<u>2015</u>	<u>2014</u>
Pension liability, beginning of year	\$ 2,278,520	\$ 3,650,353
Contributions	(158,235)	(648,868)
Pension liability adjustment	711,176	(839,881)
Net periodic benefit cost	<u>(13,105)</u>	<u>116,916</u>
Pension liability, end of year	<u>\$ 2,818,356</u>	<u>\$ 2,278,520</u>

The net periodic benefit cost is calculated as follows:

	<u>2015</u>	<u>2014</u>
Interest cost	\$ 642,451	\$ 658,153
Net loss amortization	219,534	257,805
Expected return on assets	<u>(875,090)</u>	<u>(799,042)</u>
	<u>\$ (13,105)</u>	<u>\$ 116,916</u>

The estimated future benefit payments that are expected to be paid are as follows:

<u>Years Ending June 30,</u>		
2015-2016	\$	831,685
2016-2017	\$	929,085
2017-2018	\$	969,506
2018-2019	\$	1,033,970
2019-2020	\$	1,037,477
2021-2025	\$	5,173,675

CTF has a voluntary tax deferred retirement plan (CTF 401(k) Profit Sharing Plan) (the "Plan") available to substantially all employees in accordance with the provisions of Section 401(k) of the Internal Revenue Code. The Plan allows the participant to make pre-tax contributions up to defined statutory limits. CTF may, at its discretion, make a matching contribution based on a percentage of the participant's Plan contributions. The Plan has a seven-year vesting schedule on the employer matching contribution. CTF matching contributions to the Plan during the year ended June 30, 2015 and June 30, 2014 were \$ 42,437 and \$ 36,954, respectively.

Note 14 - Income Taxes

CTF and WCFI have qualified as nonprofit organizations under Internal Revenue Code Section 501(a) as organizations described in Section 501(c)(3) and are exempt from income taxes. Comtel is organized as a for-profit entity and, as such, is subject to income taxes. Income taxes for Comtel are accounted for using the liability method under which deferred tax liabilities and assets are recognized based on the expected future tax consequences of the differences between the financial statements and tax bases of assets and liabilities using enacted rates in effect for the year in which the differences are expected to reverse. A valuation allowance is established when it is more likely than not that all or a portion of a deferred tax asset will not be realized. Comtel did not have a provision or credit for income taxes for the years ended June 30, 2015 and 2014. At June 30, 2015 and 2014, Comtel had a deferred tax asset of approximately \$ 463,000 and \$ 426,000, respectively, primarily related to net operating loss carryforwards of approximately \$ 1,230,000 expiring through the year 2034. The deferred tax asset has been offset in full by a valuation allowance at June 30, 2015 and 2014 since in the opinion of management, it is more likely than not that the deferred tax asset benefit will not be realized.

Note 15 - Employment Agreement

CTF has entered into employment agreements with a former officer (the CTF Agreement and the Comtel Agreement). The CTF Agreement terminated May 14, 2004 upon retirement of the officer. Post-termination health insurance benefits will be provided at 50% of cost for the remainder of the employee's life. In addition, CTF has purchased a life insurance policy for the officer for which CTF is only entitled to receive an amount equal to the premiums paid. As of June 30, 2015 and 2014, the amount approximated \$ 367,600, which is included in the cash surrender value and premiums receivable in the accompanying consolidated statements of financial position.

The Comtel Agreement, provides for supplemental retirement benefits in the amount of \$ 3,000 per month to the officer or his beneficiaries for a continuous period of 15 years, which began in November 2004. Amounts due under the deferred compensation and supplemental retirement arrangements have been included in deferred compensation payable in the accompanying consolidated statements of financial position.

In connection with its obligations under the Comtel agreement, Comtel has purchased a life insurance policy with a cash surrender value of approximately \$ 443,931 and \$ 462,719 at June 30, 2015 and 2014, respectively. The cash surrender value of this policy at retirement together with earnings thereon are expected to discharge the obligations in connection with the Comtel Agreement.

Note 16 - Sale of Tower

During the year ended June 30, 2014, CTF sold their broadcast tower and transmitter building and entered into a 50 year ground lease. This provided an infusion of cash and a reduction of maintenance costs. In order to continue broadcasting from the tower CTF entered into an initial 15 year lease for space on the tower. A capital lease was recorded based on CTF's estimated use of the tower's capacity and a portion of the gain was deferred. The portion of the tower available for other tenants was treated as a sale and the gain was recognized in the year ended June 30, 2014.

Community Television Foundation of South Florida, Inc. and Affiliates
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Note 17 - Commitments and Contingencies

CTF has operating leases for equipment which expires up to 2020. Six additional leases contain a bargain purchase option and are accounted for as capital leases. As described in Note 16, CTF also leases tower space which is classified as a capital lease because the present value of the minimum lease payments is 90% or more of the property's fair value.

Total rent expense for all operating leases amounted to approximately \$ 24,800 and \$ 35,900 for 2015 and 2014, respectively.

Property under the capital leases of \$ 1,037,859, net of accumulated depreciation of \$ 315,759 is included in depreciation expense in program production, acquisition and delivery.

Approximate future minimum lease payments at June 30, 2015 and 2014 are as follows:

Years Ending June 30,	Capital Leases		Operating Leases	
	2015	2014	2015	2014
2016	301,600	281,000	32,900	8,500
2017	277,200	256,500	32,500	-
2018	222,800	202,100	32,500	-
2019	161,400	140,730	30,600	-
2020	158,100	144,960	9,000	-
Thereafter	1,389,500	1,389,500	-	-
	2,510,600	2,414,790	\$ 137,500	\$ 8,500
Less interest	(1,504,700)	(1,493,100)		
	\$ 1,005,900	\$ 921,690		

Note 18 - Joint Master Control

CTF is a founding member, along with other public television stations, of Digital Convergence Alliance (DCA). DCA is qualified as a nonprofit organization under Internal Revenue Code Section 501 (a) as an organization described in Section 501 (c)(3) and is exempt from income taxes. It will serve as the governing body through which stations will combine their individual master control, traffic operations and delivery systems into a combined, centralized unit designed to achieve maximum performance and cost efficiency.

DCA is the recipient of a \$ 7 million grant from the Corporation for Public Broadcasting for the purpose of financing DCA's purchase of equipment. Member stations will contribute a combined total of \$ 777,777; CTF's share is \$ 70,707. On June 30, 2015 and 2014, CTF has expended \$ 68,447 and \$ 42,507 for future services which are reflected as prepaid expenses and the \$ 70,707 is included in other assets on the statement of financial position.

The member stations will pay annual fees to DCA to cover the cost of operating the master control services, administrative services, insurance, capital needs, etc. CTF expects their annual cost to be approximately \$ 212,850 and will go on line with the joint master control services during July 2015. Member stations are required to continue their participation in the DCA for ten years in order to avoid penalty (at CPB's discretion, penalty of 10% of the grant amount during the first five years and 5% of the grant amount during the second five years).

Note 19 - Subsequent Event

On July 2, 2015, CTF and WXEL Public Broadcasting Corporation (WXEL) entered into an Agreement and Plan of Merger (Agreement). On September 30, 2015, this merger was consummated. Pursuant to the terms of the Agreement, WXEL was merged into CTF, which has been renamed South Florida PBS (SFPBS). Post-merger the separate existence of WXEL ceased.

Consummation of this merger was subject to securing FCC approval and consents from certain other creditors. It became effective with the filing of the merger documents with the Florida Secretary of State.

The CEO of CTF was appointed CEO of SFPBS and the CEO of WXEL was appointed as President and CFO of SFPBS.

Upon effectuation of the merger, for a transition period of two years (the Transition Term) the SFPBS Board consists of an equal number of appointees from each of WXEL and CTF (10-13 each) plus one mutually agreed upon Independent Director. Also during the Transition Term a Strategic Planning Committee will be designated, with such Committee to be co-chaired by Co-Chairs of the SFPBS Board, and populated by no fewer than two SFPBS Board members, in equal number of CTF and WXEL appointees. Such Committee will be assisted by executive staff, and its purpose will be to guide the strategic vision and operational planning of the integration of CTF and WXEL into SFPBS.

SUPPLEMENTAL INFORMATION

Community Television Foundation of South Florida, Inc. and Affiliates
Supplementary Consolidating Schedule of Financial Position
June 30, 2015

	<u>CTF</u>	<u>WCFI</u>	<u>Comtel</u>	<u>Eliminating Entries</u>	<u>Consolidated Totals</u>
Assets:					
Current assets:					
Cash and cash equivalents	\$ 324,932	\$ 1,347,127	\$ 3,800	\$ -	\$ 1,675,859
Receivables, net of allowance for doubtful accounts	668,479	343,938	86,324	(220,468)	878,273
Prepaid expenses and other assets	213,597	14,250	7,901	-	235,748
Program broadcast rights, net of amortization	837,418	-	-	-	837,418
Due from affiliate	<u>1,205,109</u>	<u>2,025,256</u>	<u>-</u>	<u>(3,230,365)</u>	<u>-</u>
Total current assets	3,249,535	3,730,571	98,025	(3,450,833)	3,627,298
Other assets	98,440	-	-	-	98,440
Investments	-	18,077,934	-	(465,000)	17,612,934
Cash surrender value and premiums receivable on life insurance policies	367,605	-	443,931	-	811,536
Program broadcast rights, net of amortization, noncurrent portion	441,506	-	-	-	441,506
Property and equipment, net	<u>5,130,439</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,130,439</u>
Total assets	<u>\$ 9,287,525</u>	<u>\$ 21,808,505</u>	<u>\$ 541,956</u>	<u>\$ (3,915,833)</u>	<u>\$ 27,722,153</u>
Liabilities and Net Assets:					
Current liabilities:					
Accounts payable	\$ 1,303,844	\$ -	\$ 7,108	\$ (29,339)	\$ 1,281,613
Accrued expenses	619,502	112	-	(191,129)	428,485
Refundable program advances	171,917	-	21,726	-	193,643
Program broadcast rights payable	71,685	-	-	-	71,685
Present value of annuity obligations	-	161,361	-	-	161,361
Due to affiliate, note payable	2,025,256	295,087	910,022	(3,230,365)	-
Line of credit	1,500,000	-	-	-	1,500,000
Capital lease payable	<u>146,579</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>146,579</u>
Total current liabilities	5,838,783	456,560	938,856	(3,450,833)	3,783,366
Borrowings with financial institution	-	1,440,608	-	-	1,440,608
Deferred compensation payable	-	-	143,010	-	143,010
Deferred revenue	569,484	-	-	-	569,484
Program broadcast rights payable noncurrent portion	40,635	-	-	-	40,635
Present value of annuity obligations	-	1,434,357	-	-	1,434,357
Pension liability, due beyond one year	2,818,356	-	-	-	2,818,356
Capital lease payable, due beyond one year	<u>859,315</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>859,315</u>
Total liabilities	<u>10,126,573</u>	<u>3,331,525</u>	<u>1,081,866</u>	<u>(3,450,833)</u>	<u>11,089,131</u>
Net assets:					
Unrestricted:					
Board designated	-	6,893,707	-	-	6,893,707
Undesignated (deficit)	(839,048)	-	(1,004,910)	-	(1,843,958)
Common stock	-	-	5,000	(5,000)	-
Paid in capital	-	-	460,000	(460,000)	-
Temporarily restricted	-	4,807,981	-	-	4,807,981
Permanently restricted	<u>-</u>	<u>6,775,292</u>	<u>-</u>	<u>-</u>	<u>6,775,292</u>
Total net assets	<u>(839,048)</u>	<u>18,476,980</u>	<u>(539,910)</u>	<u>(465,000)</u>	<u>16,633,022</u>
Total liabilities and net assets	<u>\$ 9,287,525</u>	<u>\$ 21,808,505</u>	<u>\$ 541,956</u>	<u>\$ (3,915,833)</u>	<u>\$ 27,722,153</u>

Community Television Foundation of South Florida, Inc. and Affiliates
Supplementary Consolidating Schedule of Activities
For the Year Ended June 30, 2015

	<u>CTF</u>	<u>WCFI</u>	<u>Comtel</u>	<u>Eliminating Entries</u>	<u>Consolidated Totals</u>
Change in Unrestricted Net Assets:					
Revenues, gains (losses) and other support:					
Contract productions	\$ 1,999,061	\$ -	\$ 411,401	\$ -	\$ 2,410,462
Contributions and bequests	4,705,399	978,350	-	(969,359)	4,714,390
Satisfaction of program restrictions	-	509,384	-	-	509,384
Corporation for Public Broadcasting:					
Community Service Grant	1,164,526	-	-	-	1,164,526
State of Florida Department of Education:					
Community Service Grant	307,447	-	-	-	307,447
Capital Grant	77,335	-	-	-	77,335
Program underwriting	1,249,499	-	-	-	1,249,499
Interest income	24,000	295,589	17,212	(22,894)	313,907
Other	493,298	-	-	(393,346)	99,952
Loss on sale of property and equipment	(118)	-	-	-	(118)
Net realized gain on sale of investments	31,260	1,311,058	-	-	1,342,318
Net unrealized loss on investments	(49,523)	(915,608)	-	-	(965,131)
	<u>10,002,184</u>	<u>2,178,773</u>	<u>428,613</u>	<u>(1,385,599)</u>	<u>11,223,971</u>
Total revenues, gains (losses) and other support					
	<u>10,002,184</u>	<u>2,178,773</u>	<u>428,613</u>	<u>(1,385,599)</u>	<u>11,223,971</u>
Operating Expenses:					
Program production, acquisition and delivery	8,481,131	-	353,086	(353,086)	8,481,131
Development and marketing	2,365,127	690,389	-	-	3,055,516
General and administrative	1,508,098	110,781	150,657	(40,260)	1,729,276
Interest expense	218,405	17,974	6,366	(22,894)	219,851
Contribution to affiliate	-	969,359	-	(969,359)	-
	<u>12,572,761</u>	<u>1,788,503</u>	<u>510,109</u>	<u>(1,385,599)</u>	<u>13,485,774</u>
Total operating expenses					
	<u>12,572,761</u>	<u>1,788,503</u>	<u>510,109</u>	<u>(1,385,599)</u>	<u>13,485,774</u>
Change in unrestricted net assets	<u>(2,570,577)</u>	<u>390,270</u>	<u>(81,496)</u>	<u>-</u>	<u>(2,261,803)</u>
Change in Temporarily Restricted Net Assets:					
Interest income	-	151,493	-	-	151,493
Net unrealized loss on investments	-	(72,912)	-	-	(72,912)
Change in present value of annuity obligations	-	35,777	-	-	35,777
Net assets released from restrictions	-	(509,384)	-	-	(509,384)
Net realized gain on sale of investments	-	216,433	-	-	216,433
	<u>-</u>	<u>115,294</u>	<u>-</u>	<u>-</u>	<u>115,294</u>
Change in temporarily restricted net assets	<u>-</u>	<u>(178,593)</u>	<u>-</u>	<u>-</u>	<u>(178,593)</u>
Change in net assets	<u>(2,570,577)</u>	<u>211,677</u>	<u>(81,496)</u>	<u>-</u>	<u>(2,440,396)</u>
Pension Liability Adjustment	<u>(711,176)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(711,176)</u>
Net Assets, beginning of year	<u>2,442,705</u>	<u>18,265,303</u>	<u>(923,414)</u>	<u>-</u>	<u>19,784,594</u>
Net Assets, end of year	<u>\$ (839,048)</u>	<u>\$ 18,476,980</u>	<u>\$ (1,004,910)</u>	<u>\$ -</u>	<u>\$ 16,633,022</u>

Community Television Foundation of South Florida, Inc. and Affiliates
Supplementary Consolidating Schedule of Cash Flows
For the Year Ended June 30, 2015

	<u>CTF</u>	<u>WCFI</u>	<u>Comtel</u>	<u>Eliminating Entries</u>	<u>Consolidated Totals</u>
Operating Activities:					
Cash received from supporters and customers	\$ 9,616,854	\$ 1,013,818	\$ 484,052	\$ (1,362,705)	\$ 9,752,019
Interest received	46,877	449,213	-	(22,894)	473,196
Interest paid	(218,405)	(17,974)	(6,366)	22,894	(219,851)
Cash paid to acquire programs	(2,023,918)	-	-	-	(2,023,918)
Cash paid for support services, to suppliers and employees	<u>(9,259,005)</u>	<u>(1,880,295)</u>	<u>(477,497)</u>	<u>1,362,705</u>	<u>(10,254,092)</u>
Net cash provided by (used in) operating activities	<u>(1,837,597)</u>	<u>(435,238)</u>	<u>189</u>	<u>-</u>	<u>(2,272,646)</u>
Investing Activities:					
Cash received from sales or maturities of investments	809,375	2,833,089	-	-	3,642,464
Cash paid for property and equipment	(79,167)	-	-	-	(79,167)
Cash received from sales of property and equipment	-	-	-	-	-
Cash paid for investments	-	(83,882)	-	-	(83,882)
Repayments from affiliate	-	627,628	-	(627,628)	-
Loans to affiliates	<u>-</u>	<u>(1,850,000)</u>	<u>-</u>	<u>1,850,000</u>	<u>-</u>
Net cash provided by investing activities	<u>730,208</u>	<u>1,526,835</u>	<u>-</u>	<u>1,222,372</u>	<u>3,479,415</u>
Financing Activities:					
Borrowings from financial institution	-	1,920,000	-	-	1,920,000
Repayment of borrowings from financial institution	(126,708)	(1,883,406)	-	-	(2,010,114)
Borrowings from affiliate	1,850,000	-	-	(1,850,000)	-
Repayments of borrowings from affiliate	<u>(627,628)</u>	<u>-</u>	<u>-</u>	<u>627,628</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>1,095,664</u>	<u>36,594</u>	<u>-</u>	<u>(1,222,372)</u>	<u>(90,114)</u>
Net increase (decrease) in cash and cash equivalents	(11,725)	1,128,191	189	-	1,116,655
Cash and Cash Equivalents, beginning of year	<u>336,657</u>	<u>218,936</u>	<u>3,611</u>	<u>-</u>	<u>559,204</u>
Cash and Cash Equivalents, end of year	<u>\$ 324,932</u>	<u>\$ 1,347,127</u>	<u>\$ 3,800</u>	<u>\$ -</u>	<u>\$ 1,675,859</u>

Community Television Foundation of South Florida, Inc. and Affiliates
Supplementary Consolidating Schedule of Cash Flows
(continued)
For the Year Ended June 30, 2015

	<u>CTF</u>	<u>WCFI</u>	<u>Comtel</u>	<u>Eliminating Entries</u>	<u>Consolidated Totals</u>
Reconciliation of Change in Net Assets to					
Net Cash Used in Operating Activities:					
Change in net assets	\$ (2,570,577)	\$ 211,677	\$ (81,496)	-	\$ (2,440,396)
Adjustments:					
Amortization of program rights	1,881,092	-	-	-	1,881,092
Provision for depreciation	1,216,424	-	-	-	1,216,424
Net unrealized loss on investments	49,523	988,520	-	-	1,038,043
Change in present value of annuity obligation	-	(60,778)	-	-	(60,778)
Accretion of discount on investments	12,025	26,205	-	-	38,230
In-kind and barter revenue and expense, net	(22,434)	-	-	-	(22,434)
Net realized gain on sale of investments, equipment and property	(31,142)	(1,527,491)	-	-	(1,558,633)
Program acquisitions	(2,023,918)	-	-	-	(2,023,918)
Bad debt expense	13,900	-	-	-	13,900
Changes in assets and liabilities:					
Receivables	(632,705)	(24,074)	37,107	295,087	(324,585)
Prepaid expenses and other assets	174,995	(309)	(454)	-	174,232
Cash surrender value on life insurance policies over deferred compensation payable	-	-	(10,846)	-	(10,846)
Accounts payable, accrued expenses and pension liability	358,028	(84)	6,876	-	364,820
Refundable program advances	(563,818)	-	(59,163)	-	(622,981)
Program broadcast rights	65,184	-	-	-	65,184
Due to affiliate	-	(48,904)	108,165	(59,261)	-
Due from affiliate	235,826	-	-	(235,826)	-
	<u>235,826</u>	<u>-</u>	<u>-</u>	<u>(235,826)</u>	<u>-</u>
Net cash (used in) provided by operating activities	<u>\$ (1,837,597)</u>	<u>\$ (435,238)</u>	<u>\$ 189</u>	<u>\$ -</u>	<u>\$ (2,272,646)</u>

INTERNAL CONTROLS AND COMPLIANCE

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Community Television Foundation
of South Florida, Inc. and Affiliates
Miami, Florida

We have audited, in accordance with the 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 Community Television Foundation of South Florida, Inc. and Affiliates (the "Foundation"), which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statement of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 23, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Foundation'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 Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control 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 Foundation'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 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 Foundation'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 Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KEEFE McCULLOUGH

Fort Lauderdale, Florida
October 23, 2015