

South Florida PBS, Inc.
and Affiliates

Consolidated Financial Statements
and Additional Information
For the Period Ended June 30, 2016

South Florida PBS, Inc. and Affiliates

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
South Florida PBS, Inc. and Affiliates
Miami, Florida

We have audited the accompanying consolidated financial statements of South Florida PBS, Inc. and Affiliates (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statement of activities and cash flows for the year 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 South Florida PBS, Inc. and Affiliates as of June 30, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Note 1 to the financial statements, the consolidated statements of activities and cash flows include activities of WPBT and WXEL for nine months which represents post merger results for operations. Our opinion is not modified with respect to that matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidated schedule of expenditures of state financial assistance, as required by the Florida Single Audit Act, on page 30 and the schedules of other financial information on pages 21 through 29 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 November 2, 2016, on our consideration of the Organization'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 Organization's internal control over financial reporting and compliance.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
November 2, 2016

FINANCIAL STATEMENTS

South Florida PBS, Inc. and Affiliates
Consolidated Statement of Financial Position
June 30, 2016

Current Assets:

Cash and cash equivalents	\$ 3,668,134
Receivables, net of allowance for doubtful accounts of \$ 126,965	1,099,985
Prepaid expenses and other assets	439,430
Program broadcast rights, net of amortization	1,021,371
Note receivable	256,535

Total current assets	6,485,455
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Other assets	91,369
Investments	12,552,829
Cash surrender value and premiums receivable on life insurance policies	791,616
Program broadcast rights, net of amortization	528,520
Property and equipment, net	9,352,184
FCC broadcast license	1,705,900
Note receivable	275,134

Total assets	\$ 31,783,007
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Liabilities:

Current liabilities:	
Accounts payable	\$ 4,232,242
Accrued expenses	606,987
Pension liability	283,331
Refundable program advances	617,286
Program broadcast rights payable	34,830
Present value of annuity obligations	92,668
Line of credit	1,500,000
Capital lease payable	133,855

Total current liabilities	7,501,199
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Borrowings with financial institution	712,490
Deferred compensation payable	112,169
Program broadcast rights payable	5,805
Deferred revenue	674,933
Present value of annuity obligations	1,240,490
Pension liability	5,862,531
Note payable	716,217
Capital lease payable	725,202

Total liabilities	17,551,036
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Net Assets:

Unrestricted:	
Board designated	6,882,413
Undesignated (deficit)	(3,490,336)
Temporarily restricted	4,064,602
Permanently restricted	6,775,292

Total net assets	14,231,971
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Total liabilities and net assets	\$ 31,783,007
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The accompanying notes to consolidated financial statements are an integral part of these statements.

South Florida PBS, Inc. and Affiliates
Consolidated Statement of Activities
For the year ended June 30, 2016

Change in Unrestricted Net Assets:

Revenues, gains (losses) and other support:	
Contract productions	\$ 2,047,220
Contributions and bequests	6,737,618
Satisfaction of program restrictions	1,134,275
Corporation for Public Broadcasting:	
Community Service Grants	1,843,288
Transition Fund Grant	150,000
State of Florida Department of Education:	
Community Service and other Grants	461,170
Capital Grant	77,335
Program underwriting	1,494,243
Interest income	355,550
Other	675,104
Net realized gain on sale of investments	1,102,589
Net unrealized loss on investments	<u>(1,376,129)</u>

Total revenues, gains (losses) and other support 14,702,263

Operating expenses:

Program production, acquisition and delivery	8,876,784
Development and marketing	3,000,020
General and administrative	3,061,729
Interest expense	<u>359,132</u>

Total operating expenses 15,297,665

Change in unrestricted net assets (595,402)

Change in Temporarily Restricted Net Assets:

Interest income	143,756
Contributions	100,000
Net unrealized gain on investments	29,843
Change in present value of annuity obligations	43,823
Net assets released from restrictions	(1,134,275)
Net realized gain on sale of investments	<u>23,474</u>

Change in temporarily restricted net assets (793,379)

Change in net assets (1,388,781)

Pension Liability Adjustment (3,342,515)

Net Assets, beginning of year 18,963,267

Net Assets, end of year \$ 14,231,971

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

South Florida PBS, Inc. and Affiliates
Consolidated Statement of Cash Flows
For the year ended June 30, 2016

Operating Activities:

Cash received from supporters and customers	\$ 12,161,803
Interest received	518,308
Interest paid	(328,727)
Cash paid for support services, to suppliers and employers	<u>(12,255,964)</u>
Net cash provided by operating activities	<u>95,420</u>

Investing Activities:

Cash received from sales or maturities of investments	4,829,549
Cash paid for property and equipment	(120,184)
Repayments from affiliate	59,730
Repayments from third party	252,729
Loans to affiliate	<u>(3,049,398)</u>
Net cash provided by investing activities	<u>1,972,426</u>

Financing Activities:

Borrowings from financial institution	138,142
Repayment of borrowings from financial institution	(866,260)
Payments on capital leases	<u>(111,383)</u>
Net cash used in financing activities	<u>(839,501)</u>

Net change in cash and cash equivalents 1,228,345

Cash and Cash Equivalents, beginning of year 2,439,789

Cash and Cash Equivalents, end of year \$ 3,668,134

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

South Florida PBS, Inc. and Affiliates
Consolidated Statement of Cash Flows
(continued)
For the year ended June 30, 2016

**Reconciliation of Change in Net Assets to
Net Cash Provided by Operating Activities:**

Change in net assets	\$ (1,388,781)
Adjustments:	
Amortization of program rights	1,808,448
Provision for depreciation	811,940
Net unrealized (gain) loss on investments	1,346,286
Change in present value of annuity obligation	(262,560)
Accretion of discount on investments	10,333
In-kind and barter revenue and expense, net	(9,134)
Net realized gain on sale of investments	(1,126,063)
Bad debt expense	83,956
Changes in assets and liabilities:	
Receivables	(257,175)
Prepaid expenses and other assets	41,846
Cash surrender value on life insurance policies over deferred compensation payable	(10,921)
Program broadcast rights	(147,647)
Accounts payable, accrued expenses and pension liability	(1,096,090)
Refundable program advances	233,613
Program broadcast rights payable	(31,050)
Deferred revenue	<u>88,419</u>
Net cash provided by operating activities	<u>\$ 95,420</u>

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

South Florida PBS, Inc. and Affiliates
Notes to Consolidated Financial Statements
June 30, 2016

Note 1 - Organization and Operations

South Florida PBS, Inc. (SFPBS) was created by the merger of WXEL Public Broadcasting Corporation and Community Television Foundation of South Florida, Inc. (WPBT) on September 30, 2015. SFPBS operates television stations WPBT on Channel 2 and WXEL on Channel 42, televising to the seven-county South Florida service area. WPBT and WXEL are noncommercial television stations and are affiliated with the Public Broadcasting Service. SFPBS also produces program features and series for national and international distribution.

As of September 30, 2015, the major classes of assets, liabilities and net assets of WPBT and WXEL were as follows:

	<u>WPBT</u>	<u>WXEL</u>	<u>Total</u>
Assets:			
Current Assets	\$ 4,842,257	\$ 1,824,670	\$ 6,666,927
Non-Current Assets	<u>8,122,185</u>	<u>7,487,274</u>	<u>15,609,459</u>
Total Assets	<u>\$ 12,964,442</u>	<u>\$ 9,311,944</u>	<u>\$ 22,276,386</u>
Liabilities:			
Current Liabilities	\$ 5,769,118	\$ 2,664,999	\$ 8,434,117
Non-Current Liabilities	<u>9,285,520</u>	<u>3,065,552</u>	<u>12,351,072</u>
Total Liabilities	<u>15,054,638</u>	<u>5,730,551</u>	<u>20,785,189</u>
Net Assets:			
Total Net Assets (deficit)	<u>(2,090,196)</u>	<u>3,581,393</u>	<u>1,491,197</u>
Total liabilities and net assets	<u>\$ 12,964,442</u>	<u>\$ 9,311,944</u>	<u>\$ 22,276,386</u>

In accordance with ASC 958-805 *Not-for-Profit Entities: Mergers and Acquisitions*, a merger is required to be accounted for using the carryover basis which adds together the historical financial data of the merging entities as of the merger date. The consolidated statements of activities and cash flows, therefore, include nine months of activity for WPBT and WXEL (now SFPBS) which represents post merger results of operations and twelve months of activity for WCFI and Comtel. The supplementary schedule of activities and schedule of cash flows - regulatory basis include twelve months of activities as required by the Corporation for Public Broadcasting.

Note 2 - Summary of Significant Accounting Policies

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

WCFI was created for the purpose of providing support to WPBT and 4 of its 9 members on the Board of Directors are members of SFPBS'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. Comtel's Board of Directors consists of 12 members, 6 of which are also members of SFPBS's Board of Directors. Contract productions are the primary source of Comtel's revenue.

Note 2 - Summary of Significant Accounting Policies (continued)

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 SFPBS 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 SFPBS is subject to donor-imposed restrictions that can be fulfilled by actions of SFPBS 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 SFPBS. Generally, the donors of these assets permit SFPBS to use all or part of the investment return on these assets. Such assets include SFPBS'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.

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, SFPBS 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 year ended June 30, 2016 \$ 284,561 of property and equipment was donated and is reflected in the accompanying supplementary schedules of activities and cash flows – regulatory basis.

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. SFPBS, 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 WPBT (Note 3).

Note 2 - Summary of Significant Accounting Policies (continued)

Cash and cash equivalents: SFPBS considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. SFPBS 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. SFPBS had no conditional promises to give as of June 30, 2016.

Contribution revenue related to the fair value of interests in an estate is recognized when SFPBS 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.

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. There were no in-kind contributions for contributed services recognized for the year ended June 30, 2016.

Barter agreements: SFPBS enters into certain barter arrangements whereby SFPBS 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 year ended June 30, 2016 equaled \$ 396,563. The amount of barter expense recognized during the year ended June 30, 2016 equaled \$ 387,429.

Note 2 - Summary of Significant Accounting Policies (continued)

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: SFPBS 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 November 2, 2016, 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 WPBT, 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 WPBT. Eligible funds consist of all unrestricted funds and earnings of the true endowments. At its option, WPBT 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 \$ 6,882,413 at June 30, 2016, and are classified as Board designated in the accompanying consolidated statements of financial position. WPBT elected to withdraw from the quasi-endowment fund, \$ 331,695, as provided under the endowment's terms, for the year ended June 30, 2016.

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.

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. WPBT received \$ 423,412 during the year ended June 30, 2016, from the earnings of the true endowment for specific programming purposes. Additionally, WPBT received \$ 59,276 during the year ended June 30, 2016 from the earnings of the Vernon Julianne Trust.

Note 4 - Investments

Investments at June 30, 2016 consist of the following:

Unrestricted investments:	
Equity funds and corporate and foreign bonds pledged as collateral in connection with the borrowing with financial institution (Note 10)	\$ 1,424,979
Equity funds	198,283
Corporate and foreign bonds	<u>157,775</u>
Total unrestricted investments	<u>1,781,037</u>
Restricted investments:	
Investment of endowment funds in equity funds	4,752,840
Investments of endowment funds in corporate and foreign bonds	691,928
Investments of gifts of future interest in equity funds	3,148,098
Investment of gifts of future interest, corporate and foreign interest bearing securities	<u>2,178,926</u>
Total restricted investments	<u>10,771,792</u>
Total investments	<u>\$ 12,552,829</u>

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.)

Note 5 - Fair Value Measurement (continued)

- 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, 2016:

Asset Class:	Level 1	Level 2	Level 3	Total
Equities and equity funds	\$ 8,892,768	\$ -	\$ -	\$ 8,892,768
Corporate and foreign bonds	-	3,660,061	-	3,660,061
Total	\$ 8,892,768	\$ 3,660,061	\$ -	\$ 12,552,829

For the year ended June 30, 2016, there were no transfers between Level 1, 2 and 3. WCFI'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.

Note 6 - Endowments

WCFI has endowed funds established for the support of WPBT. 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 WPBT 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. WPBT 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 WPBT additional funding.

South Florida PBS, Inc. and Affiliates
Notes to Consolidated Financial Statements
June 30, 2016

Note 6 - Endowments (continued)

Endowment net asset composition by type of fund as of June 30, 2016 is as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 6,775,292	\$ 6,775,292
Board-designated endowment funds	<u>6,882,413</u>	<u>-</u>	<u>6,882,413</u>
Total funds	<u>\$ 6,882,413</u>	<u>\$ 6,775,292</u>	<u>\$ 13,657,705</u>

Changes in endowment net assets for the fiscal year ended June 30, 2016 are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, at beginning of year	\$ 6,893,707	\$ 6,775,292	\$ 13,668,999
Investment income	335,768	-	335,768
Net depreciation (realized and unrealized)	(273,540)	-	(273,540)
Contributions and other	695,338	-	695,338
Satisfaction of program restrictions	1,134,275	-	1,134,275
Appropriation of endowment assets for expenditure	<u>(1,903,135)</u>	<u>-</u>	<u>(1,903,135)</u>
Endowment net assets, at end of year	<u>\$ 6,882,413</u>	<u>\$ 6,775,292</u>	<u>\$ 13,657,705</u>

Note 7 - Property and Equipment

Property and equipment consists of the following as of June 30, 2016:

		<u>Estimated Useful Lives in Years</u>
Engineering and production equipment	\$ 16,894,039	7
Computer, office furniture and equipment	5,541,530	5-7
Building and improvements	6,382,573	15-30
Transmitter, tower and antenna	3,419,555	15-30
Leasehold improvements	2,269,127	7-15
Vehicles	43,006	3
	<u>34,549,830</u>	
Less accumulated depreciation	<u>29,114,697</u>	
	5,435,133	
Land	<u>3,917,051</u>	
	<u>\$ 9,352,184</u>	

Note 7 - Property and Equipment (continued)

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

Program production, acquisition and delivery	\$ 733,874
General and administrative	<u>78,066</u>
	<u>\$ 811,940</u>

Note 8 - FCC Broadcast License

The Federal Communication Commission (FCC) broadcast license is an indefinite lived asset that is not amortized. WXEL values the broadcast license as part of a previous acquisition. WXEL performs impairment testing on the FCC broadcast license annually or when an event triggering impairment may have occurred. An impairment is considered to exist if the fair value of the FCC broadcast license is less than the carrying amount. If an impairment exists, the impairment loss is measured by the difference between the fair value and carrying amount. WXEL's estimate of fair value is based upon, among other things, market conditions including other acquisitions of FCC broadcast licenses. Assumptions underlying fair value estimates are subject to significant risks and uncertainties. As of June 30, 2016, management has determined that no impairment exists.

Note 9 - Note Receivable

WXEL's note receivable as of June 30, 2016 consists of the following:

Promissory note dated February 25, 2003, due from NBC Stations Management, Inc.; requires annual payments of \$ 293,333 and matures June 1, 2018; interest imputed at 7.25% per annum.	\$ 531,669
Less: current portion	<u>(256,535)</u>
Note receivable, net	<u>\$ 275,134</u>

Interest income recorded on the promissory note totaled approximately \$ 40,600 for the year ended June 30, 2016, and has been recorded in the accompanying statement of activities.

Note 10 - Borrowings with Financial Institution

WCFI entered into an agreement with an investment company to borrow against investment holdings. The loan balances at June 30, 2016 were \$ 712,490, with interest at 0.5% below the broker-call rate (1.5% at June 30, 2016). The loan is collateralized by investments with a fair value of \$ 1,424,979 at June 30, 2016.

Interest expense for the year ended June 30, 2016 was approximately \$ 14,000.

Note 11 - Note Payable

WXEL's note payable includes the following at June 30, 2016:

Acquisition note payable dated July 20, 2012, face amount of \$ 570,000 plus accrued interest thereon at 6%. Principal and accrued interest are payable in five annual installments commencing on July 20, 2018 with maturity on July 20, 2022. \$ 716,217

Future approximate annual payments on the note payable are as follows:

Year Ending June 30		
2016	\$	-
2017	\$	-
2018	\$	180,000
2019	\$	180,000
2020	\$	180,000
Thereafter	\$	176,217

Note 12 - Line of Credit

WPBT has a line of credit of \$ 1,500,000, which provides for interest on outstanding borrowings at the prevailing prime rate (3.5% at June 30, 2016). The line of credit matures on November 30, 2016, and is subject to renewal on an annual basis. At June 30, 2016 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 13 - 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. 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. SFPBS 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.

Note 14 - Split Interest Agreements

WCFI accepts gifts subject to split interest agreements. A split interest agreement is created when a donor contributes assets to WCFI or places them in a trust for the benefit of WCFI, but WCFI 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 WCFI, 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 \$ 1,333,158 at June 30, 2016, using discount rates ranging from 1.96% to 5.89% and applicable mortality tables. On an annual basis, WCFI reevaluates the amount of estimated future payments. As of June 30, 2016, WCFI reported a change in value of split-interest agreements of \$ (262,560). Split interest agreements are recorded as temporarily restricted or permanently restricted depending on donor imposed stipulations. WCFI 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 15 - Program Production, Acquisition and Delivery

Program production, acquisition and delivery expenses for the year ended June 30, 2016 included the following:

Broadcasting and delivery	\$ 3,064,773
Acquired programming	2,591,917
Other program production	2,201,957
Commercial production	<u>1,018,137</u>
 Total program production, acquisition and delivery	 \$ <u><u>8,876,784</u></u>

Note 16 - Employee Benefit Plans

WPBT 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, WPBT contributes the minimum amount required by regulations of the Employee Retirement Income Security Act. For the year ending June 30, 2016, WPBT was not required to contribute and did not contribute to the Plan. WPBT expects to contribute \$ 283,331 to the Plan in the fiscal year 2016/2017.

In accordance with the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 958-715, *Not-for-Profit Entities, Compensation - Retirement Benefits*, WPBT 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.

Note 16 - Employee Benefit Plans (continued)

The following table displays the funding status of the Plan:

Fair value of Plan assets	\$ 11,261,202
Projected benefit obligation	<u>(17,407,064)</u>
Unfunded liability	<u>\$ (6,145,862)</u>

There were benefits of \$ 807,076 paid during the year ended June 30, 2016. Further, WPBT recorded a pension expense of \$ (15,009) in 2016.

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:

Equity securities	40%
Debt securities	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:

Weighted-average assumptions:	
Discount rate to determine benefit obligation	3.6%
Discount rate to determine net periodic pension costs	4.5%
Expected rate of return on Plan assets	7.5%
Mortality:	
In accordance with sex-distinct optional combined pre-retirement and post-retirement mortality rates for males and females as promulgated by the Internal Revenue Service for purposes of determining the minimum required contribution the 2015-16 plan year.	
Measurement date	6/30/16

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

Pension liability, beginning of year	\$ 2,818,356
Contributions	-
Pension liability adjustment	3,342,515
Net periodic benefit cost	<u>(15,009)</u>
Pension liability, end of year	<u>\$ 6,145,862</u>

Note 16 - Employee Benefit Plans (continued)

The net periodic benefit cost is calculated as follows:

Interest cost	\$ 642,182
Net loss amortization	224,068
Expected return on assets	<u>(881,259)</u>
	<u>\$ (15,009)</u>

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

Years Ending June 30,	
2016-2017	\$ 931,581
2017-2018	\$ 975,403
2018-2019	\$ 1,046,524
2019-2020	\$ 1,053,515
2020-2021	\$ 1,053,968
2021-2026	\$ 5,330,129

WPBT has a voluntary tax deferred retirement plan (Community Television Foundation of South Florida, Inc., 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. WPBT 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. WPBT did not make any matching contributions to the Plan during the year ended June 30, 2016.

WXEL sponsors a salary reduction contribution plan pursuant to Section 403(b) of the Internal Revenue Code, covering substantially all employees. The Plan allows the participant to make pre-tax contributions up to defined statutory limits. WXEL may, at its discretion, make a matching contribution based on a percentage of the participant's Plan contributions. Total expense in conjunction with these matching contributions for the year ended June 30, 2016 was approximately \$ 62,600.

Note 17 - Income Taxes

WPBT, WXEL 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 year ended June 30, 2016. At June 30, 2016, Comtel had a deferred tax asset of approximately \$ 603,800 primarily related to net operating loss carryforwards of approximately \$ 1,605,000 expiring through the year 2035. The deferred tax asset has been offset in full by a valuation allowance at June 30, 2016 since in the opinion of management, it is more likely than not that the deferred tax asset benefit will not be realized.

Note 18 - Employment Agreement

WPBT and Comtel previously entered into employment agreements with a former officer (the WPBT Agreement and the Comtel Agreement). WPBT 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, WPBT has purchased a life insurance policy for the officer for which WPBT is only entitled to receive an amount equal to the premiums paid. As of June 30, 2016, 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 \$ 424,000 at June 30, 2016. 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 19 - WXEL Facilities

WXEL facilities and equipment are leased from the Florida Board of Education for \$ 1 per year for an initial term of 20 years commencing February 10, 1989 with four five-year renewal options. At the end of the 40th year, and providing that there has been no uncured default on WXEL's part, the State Board of Education shall convey title of the building and equipment.

The land upon which the facility was constructed was donated to WXEL by the City of Boynton Beach, Florida (Note 7). A deed restriction requires the property to be used as a nonprofit education and/or public broadcasting facility.

The estimated annual fair rent value of the facilities and equipment for the year ended June 30, 2016, is approximately \$ 363,000, which is recorded as an in-kind contribution revenue and general and administrative expense in the accompanying statement of activities.

Note 20 - Commitments and Contingencies

SFPBS has operating leases for equipment which expires up to fiscal year 2021. Six additional leases contain a bargain purchase option and are accounted for as capital leases. Following the sale of the broadcast tower and transmitter building in fiscal year 2014, WPBT entered into an initial 15 year capital lease for space on the tower.

Total rent expense for all operating leases amounted to approximately \$ 235,000 for the year ended June 30, 2016.

Property under the capital leases of \$ 892,235, net of accumulated depreciation of \$ 463,419 is included in depreciation expense in program production, acquisition and delivery.

Note 20 - Commitments and Contingencies (continued)

Approximate future minimum lease payments at June 30, 2016:

Years Ending June 30,	Capital Leases	Operating Leases
2017	277,200	266,400
2018	222,800	132,800
2019	161,400	69,700
2020	158,100	11,600
2021	149,300	1,100
Thereafter	<u>1,240,200</u>	<u>-</u>
	2,209,000	\$ <u>481,600</u>
Less interest	<u>(1,350,000)</u>	
	<u>\$ 859,000</u>	

Note 21 - Joint Master Control

WPBT 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 contributed a combined total of \$ 777,777; WPBT's share was \$ 70,707. On June 30, 2016, WPBT expended approximately \$ 17,700 for future services which are reflected as prepaid expenses and the \$ 70,707 is being amortized over the 10 year initial service period. The remaining balance of approximately \$ 63,600 at June 30, 2016 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. WPBT incurred approximately \$ 160,000 for the year ended June 30, 2016. 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).

SUPPLEMENTAL INFORMATION

**South Florida PBS, Inc. and Affiliates
Supplementary Consolidating Schedule of Financial Position
June 30, 2016**

	South Florida PBS, Inc.		WPBT Communications Foundation, Inc. (WCFI)	Comtel, Inc.	Eliminating Entries	Consolidated Totals
	WPBT	WXEL				
Assets:						
Current assets:						
Cash and cash equivalents	\$ 824,170	\$ 499,735	\$ 2,332,971	\$ 11,258	\$ -	\$ 3,668,134
Receivables, net of allowance for doubtful accounts	503,303	129,368	128,060	339,254	-	1,099,985
Prepaid expenses and other assets	263,188	135,480	28,622	12,140	-	439,430
Program broadcast rights, net of amortization	840,440	180,931	-	-	-	1,021,371
Note receivable	-	256,535	-	-	-	256,535
Due from affiliates	2,178,906	-	-	-	(2,178,906)	-
Note receivable from affiliate	880,000	-	-	-	(880,000)	-
Total current assets	5,490,007	1,202,049	2,489,653	362,652	(3,058,906)	6,485,455
Other assets	91,369	-	-	-	-	91,369
Investments	-	-	13,017,829	-	(465,000)	12,552,829
Cash surrender value and premiums receivable on life insurance policies	367,605	-	-	424,011	-	791,616
Program broadcast rights, net of amortization	347,589	180,931	-	-	-	528,520
Property and equipment, net	4,208,310	5,143,874	-	-	-	9,352,184
FCC broadcast license	-	1,705,900	-	-	-	1,705,900
Note receivable	-	275,134	-	-	-	275,134
Due from affiliates	1,409,970	-	239,648	-	(1,649,618)	-
Note receivable from affiliate	-	-	4,565,266	-	(4,565,266)	-
Total assets	\$ 11,914,850	\$ 8,507,888	\$ 20,312,396	\$ 786,663	\$ (9,738,790)	\$ 31,783,007
Liabilities and Net Assets:						
Current liabilities:						
Accounts payable	\$ 2,774,599	\$ 1,398,889	\$ -	\$ 58,754	\$ -	\$ 4,232,242
Accrued expenses	437,479	169,440	68	-	-	606,987
Pension liability	283,331	-	-	-	-	283,331
Refundable program advances	617,286	-	-	-	-	617,286
Program broadcast rights payable	34,830	-	-	-	-	34,830
Present value of annuity obligations	-	-	92,668	-	-	92,668
Line of credit	1,500,000	-	-	-	-	1,500,000
Capital lease payable	133,855	-	-	-	-	133,855
Due to affiliates	-	49,917	594,373	1,534,616	(2,178,906)	-
Note payable to affiliate	-	880,000	-	-	(880,000)	-
Total current liabilities	5,781,380	2,498,246	687,109	1,593,370	(3,058,906)	7,501,199

South Florida PBS, Inc. and Affiliates
Supplementary Consolidating Schedule of Financial Position
June 30, 2016
(Continued)

	South Florida PBS, Inc.		WPBT Communications Foundation, Inc. (WCFI)	Comtel, Inc.	Eliminating Entries	Consolidated Totals
	WPBT	WXEL				
Borrowings with financial institution	-	-	712,490	-	-	712,490
Deferred compensation payable	-	-	-	112,169	-	112,169
Program broadcast rights payable	5,805	-	-	-	-	5,805
Deferred revenue	542,438	132,495	-	-	-	674,933
Present value of annuity obligations	-	-	1,240,490	-	-	1,240,490
Pension liability	5,862,531	-	-	-	-	5,862,531
Note payable to affiliate	4,565,266	-	-	-	(4,565,266)	-
Due to affiliates	239,648	1,409,970	-	-	(1,649,618)	-
Note payable	-	716,217	-	-	-	716,217
Capital lease payable	725,202	-	-	-	-	725,202
Total liabilities	17,722,270	4,756,928	2,640,089	1,705,539	(9,273,790)	17,551,036
Net assets:						
Unrestricted:						
Board designated	-	-	6,882,413	-	-	6,882,413
Undesignated (deficit)	(5,807,420)	3,700,960	-	(1,383,876)	-	(3,490,336)
Common stock	-	-	-	5,000	(5,000)	-
Paid in capital	-	-	-	460,000	(460,000)	-
Temporarily restricted	-	50,000	4,014,602	-	-	4,064,602
Permanently restricted	-	-	6,775,292	-	-	6,775,292
Total net assets	(5,807,420)	3,750,960	17,672,307	(918,876)	(465,000)	14,231,971
Total liabilities and net assets	\$ 11,914,850	\$ 8,507,888	\$ 20,312,396	\$ 786,663	\$ (9,738,790)	\$ 31,783,007

South Florida PBS, Inc. and Affiliates
Supplementary Consolidating Schedule of Activities
For the Year Ended June 30, 2016

	South Florida PBS, Inc. WPBT *	WXEL *	WPBT Communications Foundation, Inc. (WCFL)	Comtel	Eliminating Entries	Consolidated Totals
Change in Unrestricted Net Assets:						
Revenues, gains (losses) and other support:						
Contract productions	\$ 761,274	-	-	\$ 1,285,946	-	\$ 2,047,220
Contributions and bequests	4,758,933	2,097,730	695,338	-	(814,383)	6,737,618
Satisfaction of program restrictions	-	-	1,134,275	-	-	1,134,275
Corporation for Public Broadcasting:						
Community Service Grants	1,147,542	695,746	-	-	-	1,843,288
Transition Fund Grant	150,000	-	-	-	-	150,000
State of Florida Department of Education:						
Community Service and other grants	230,586	230,584	-	-	-	461,170
Capital grant	77,335	-	-	-	-	77,335
Program underwriting	973,345	520,898	-	-	-	1,494,243
Interest income	26,390	41,277	335,768	16,080	(63,965)	355,550
Other	1,230,381	398,313	-	-	(953,590)	675,104
Net realized gain on sale of investments	-	-	1,102,589	-	-	1,102,589
Net unrealized loss on investments	-	-	(1,376,129)	-	-	(1,376,129)
Total revenues, gains (losses) and other support	9,355,786	3,984,548	1,891,841	1,302,026	(1,831,938)	14,702,263
Operating Expenses:						
Program production, acquisition and delivery	6,978,560	1,267,628	-	1,553,991	(923,395)	8,876,784
Development and marketing	1,045,648	1,033,779	920,593	-	-	3,000,020
General and administrative	1,382,880	1,432,984	154,218	121,842	(30,195)	3,061,729
Interest expense	323,407	80,590	13,941	5,159	(63,965)	359,132
Contribution to affiliate	-	-	814,383	-	(814,383)	-
Total operating expenses	9,730,495	3,814,981	1,903,135	1,680,992	(1,831,938)	15,297,665
Change in unrestricted net assets	(374,709)	169,567	(11,294)	(378,966)	-	(595,402)

* Includes activity from October 1, 2015 through June 30, 2016, which represents post merger results of operations.

**South Florida PBS, Inc. and Affiliates
Supplementary Consolidating Schedule of Activities
(continued)
For the Year Ended June 30, 2016**

	South Florida PBS, Inc. WPBT * WXEL *	WPBT Communications Foundation, Inc. (WCFI)	Comtel	Eliminating Entries	Consolidated Totals
Change in Temporarily Restricted Net Assets:					
Interest income	-	143,756	-	-	143,756
Contributions	-	100,000	-	-	100,000
Net unrealized gain on investments	-	29,843	-	-	29,843
Change in present value of annuity obligations	-	43,823	-	-	43,823
Net assets released from restrictions	-	(1,134,275)	-	-	(1,134,275)
Net realized gain on sale of investments	-	23,474	-	-	23,474
Change in temporarily restricted net assets	-	(793,379)	-	-	(793,379)
Change in net assets	(374,709)	(804,673)	(378,966)	-	(1,388,781)
Pension Liability Adjustment	(3,342,515)	-	-	-	(3,342,515)
Net Assets, beginning of year	(2,090,196)	3,581,393	(1,004,910)	-	18,963,267
Net Assets, end of year	\$ (5,807,420)	\$ 3,750,960	\$ (1,383,876)	\$ -	\$ 14,231,971

* Includes activity from October 1, 2015 through June 30, 2016, which represents post merger results of operations.

**South Florida PBS, Inc. and Affiliates
Supplementary Consolidating Schedule of Cash Flows
For the Year Ended June 30, 2016**

	South Florida PBS, Inc. WPBT *	WXEL *	WPBT Communications Foundation, Inc. (WCFI)	Comtel	Eliminating Entries	Consolidated Totals
Operating Activities:						
Cash received from supporters and customers	\$ 8,269,605	\$ 3,788,929	\$ 776,270	\$ 1,064,777	\$ (1,737,778)	\$ 12,161,803
Interest received	62	41,277	514,606	-	(37,637)	518,308
Interest paid	(323,407)	(23,857)	(13,941)	(5,159)	37,637	(328,727)
Cash paid for support services, to suppliers and employees	(7,213,628)	(3,875,442)	(1,852,512)	(1,052,160)	1,737,778	(12,255,964)
Net cash provided by (used in) operating activities	732,632	(69,093)	(575,577)	7,458	-	95,420
Investing Activities:						
Cash received from sales or maturities of investments	-	-	4,829,549	-	-	4,829,549
Cash paid for property and equipment	(27,732)	(92,452)	-	-	-	(120,184)
Repayments from affiliate	-	-	59,730	-	-	59,730
Repayments from third party	-	252,729	-	-	-	252,729
Loans to affiliates	-	-	(3,049,398)	-	-	(3,049,398)
Net cash provided by (used in) investing activities	(27,732)	160,277	1,839,881	-	-	1,972,426
Financing Activities:						
Borrowings from financial institution	-	-	138,142	-	-	138,142
Repayment of borrowings from financial institution	-	-	(866,260)	-	-	(866,260)
Payments on capital leases	(111,383)	-	-	-	-	(111,383)
Repayments of borrowings from affiliate	(449,658)	-	449,658	-	-	-
Net cash used in financing activities	(561,041)	-	(278,460)	-	-	(839,501)
Net increase in cash and cash equivalents	143,859	91,184	985,844	7,458	-	1,228,345

* Includes activity from October 1, 2015 through June 30, 2016, which represents post merger cash flows.

South Florida PBS, Inc. and Affiliates
Supplementary Consolidating Schedule of Cash Flows
(continued)
For the Year Ended June 30, 2016

	South Florida PBS, Inc. WPBT *	WXEL *	WPBT Communications Foundation, Inc. (WCFI)	Comtel	Eliminating Entries	Consolidated Totals
Cash and Cash Equivalents, beginning of year	680,311	408,551	1,347,127	3,800	-	2,439,789
Cash and Cash Equivalents, end of year	\$ 824,170	\$ 499,735	\$ 2,332,971	\$ 11,258	\$ -	\$ 3,668,134
Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:						
Change in net assets	\$ (374,709)	\$ 169,567	\$ (804,673)	\$ (378,966)	\$ -	\$ (1,388,781)
Adjustments:						
Amortization of program rights	1,377,496	430,952	-	-	-	1,808,448
Provision for depreciation	660,192	151,748	-	-	-	811,940
Net unrealized loss on investments	-	-	1,346,286	-	-	1,346,286
Change in present value of annuity obligation	-	-	(262,560)	-	-	(262,560)
Accretion of discount on investments	-	-	10,333	-	-	10,333
In-kind and barter revenue and expense, net	25,966	(35,100)	-	-	-	(9,134)
Net realized gain on sale of investments	-	-	(1,126,063)	-	-	(1,126,063)
Bad debt expense	83,956	-	-	-	-	83,956
Changes in assets and liabilities:						
Receivables	12,157	180,098	24,749	(252,930)	(221,249)	(257,175)
Prepaid expenses and other assets	169,290	(108,833)	(14,372)	(4,239)	-	41,846
Cash surrender value on life insurance policies over deferred compensation payable	-	-	-	(10,921)	-	(10,921)
Program broadcast rights	(147,647)	-	-	-	-	(147,647)
Accounts payable, accrued expenses and pension liability	(201,748)	(945,944)	(44)	51,646	-	(1,096,090)
Refundable program advances	255,339	-	-	(21,726)	-	233,613
Program broadcast rights payable	(31,050)	-	-	-	-	(31,050)
Deferred revenue	-	88,419	-	-	-	88,419
Due to affiliate	-	-	299,286	624,594	(923,880)	-
Due from affiliate	(1,096,610)	-	(48,519)	-	1,145,129	-
Net cash (used in) provided by operating activities	\$ 732,632	\$ (69,093)	\$ (575,577)	\$ 7,458	\$ -	\$ 95,420

* Includes activity from October 1, 2015 through June 30, 2016, which represents post merger cash flows.

South Florida PBS, Inc. and Affiliates
Supplementary Schedule of Activities - Regulatory Basis
For the Year Ended June 30, 2016

	<u>WPBT</u>	<u>WXEL</u>
Change in Net Assets:		
Revenues, gains and other support:		
Contract productions	\$ 964,954	\$ -
Contributions and bequests	5,815,484	2,777,822
Corporation for Public Broadcasting:		
Community Service Grant	1,147,542	933,246
Transition Fund Grant	150,000	-
State of Florida Department of Education:		
Community Service and other Grants	307,447	310,947
Capital Grant	77,335	-
Program underwriting	1,199,479	686,070
Interest income	26,390	41,277
Other	1,502,429	522,836
	<u>11,191,060</u>	<u>5,272,198</u>
Operating Expenses:		
Program production, acquisition and delivery	9,010,910	2,112,276
Development and marketing	1,548,904	1,362,587
General and administrative	1,860,839	1,813,089
Interest expense	396,264	98,598
	<u>12,816,917</u>	<u>5,386,550</u>
Total revenues, gains and other support		
	<u>11,191,060</u>	<u>5,272,198</u>
Change in net assets	<u>(1,625,857)</u>	<u>(114,352)</u>
Pension Liability Adjustment	<u>(3,342,515)</u>	<u>-</u>
Net Assets, beginning of year	<u>(839,048)</u>	<u>3,865,312</u>
Net Assets, end of year	<u>\$ (5,807,420)</u>	<u>\$ 3,750,960</u>

South Florida PBS, Inc. and Affiliates
Supplementary Schedule of Cash Flows - Regulatory Basis
For the Year Ended June 30, 2016

	<u>WPBT</u>	<u>WXEL</u>
Operating Activities:		
Cash received from supporters and customers	\$ 8,506,534	\$ 4,537,715
Interest received	62	27,742
Interest paid	(396,264)	(31,730)
Cash paid for support services to suppliers and employees	<u>(9,095,224)</u>	<u>(5,630,153)</u>
Net cash used in operating activities	<u>(984,892)</u>	<u>(1,096,426)</u>
Investing Activities:		
Cash paid for property and equipment	(29,043)	(109,652)
Repayments from third parties	-	252,729
Loans to affiliates	<u>(880,000)</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>(909,043)</u>	<u>143,077</u>
Financing Activities:		
Payments on capital leases	(146,837)	-
Borrowings from affiliate	3,199,741	880,000
Repayments of borrowings from affiliate	<u>(659,731)</u>	<u>-</u>
Net cash provided by financing activities	<u>2,393,173</u>	<u>880,000</u>
Net increase (decrease) in cash and cash equivalents	<u>499,238</u>	<u>(73,349)</u>
Cash and Cash Equivalents, beginning of year	<u>324,932</u>	<u>573,084</u>
Cash and Cash Equivalents, end of year	<u>\$ 824,170</u>	<u>\$ 499,735</u>

South Florida PBS, Inc. and Affiliates
Supplementary Schedule of Cash Flows - Regulatory Basis
(continued)
For the Year Ended June 30, 2016

	<u>WPBT</u>	<u>WXEL</u>
Reconciliation of Change in Net Assets to Net Cash Used in Operating Activities:		
Change in net assets	\$ (1,625,857)	\$ (114,352)
Adjustments:		
Amortization of program rights	1,860,460	542,793
Amortization of deferred gain	(27,046)	-
Provision for depreciation	951,172	195,556
NBC settlement	-	(13,535)
Donated property and equipment	-	(284,561)
In-kind and barter revenue and expense, net	27,509	(35,100)
Bad debt expense	83,956	(31,707)
Changes in assets and liabilities:		
Receivables	322,470	2,099
Prepaid expenses and other assets	(42,520)	(82,989)
Program broadcast rights	(1,769,565)	(1,056,932)
Accounts payable, accrued expenses and pension liability	1,629,469	(272,693)
Refundable program advances	445,369	-
Program broadcast rights payable	(71,685)	-
Deferred revenue	-	54,995
Due from affiliate	(2,768,624)	-
Net cash used in operating activities	\$ <u>(984,892)</u>	\$ <u>(1,096,426)</u>

South Florida PBS, Inc. and Affiliates
 Consolidated Schedule of Expenditures of State Financial Assistance
 For the Year Ended June 30, 2016

<u>Grantor/Project Title</u>	<u>State CSFA Number</u>	<u>Contract Grant Number</u>	<u>Expenditures</u>
State Agency Name:			
Direct Projects:			
State of Florida			
Department of Education			
Florida Community Service Grant	48.056	136-99241-6Q001	\$ 307,447
Florida Community Service Grant	48.056	92M-99241-6Q001	307,447
		48.056 Total	<u>614,894</u>
State of Florida			
Department of State			
Cultural and Museum Grant	45.061	16.6.109.202	<u>11,984</u>
Total expenditures of state financial assistance			<u><u>\$ 626,878</u></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
South Florida PBS, 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 South Florida PBS, Inc. and Affiliates (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2016, and the related consolidated statements 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 November 2, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization'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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
November 2, 2016

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

To the Board of Directors
South Florida PBS, Inc. and Affiliates
Miami, Florida

Report on Compliance for the Major State Project

We have audited South Florida PBS, Inc. and Affiliates' (a nonprofit organization) (the "Organization") compliance with the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on the Organization's major state project for the year ended June 30, 2016. The Organization's major state project is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the state statutes, regulations, and the terms and conditions of its state awards.

Auditor's Responsibility

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

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

Opinion on the Major State Project

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state project for the year ended June 30, 2016.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



KEEFE McCULLOUGH

Fort Lauderdale, Florida
November 2, 2016

**South Florida PBS, Inc. and Affiliates
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statements of South Florida PBS, Inc.
2. No material weaknesses relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of South Florida PBS, Inc. were disclosed during the audit.
4. No material weaknesses relating to the audit of the major state project are reported in the Independent Auditor's Report on Compliance for The Major State Project and Report on Internal Control Over Compliance Required by Chapter 10.650, *Rules of the Auditor General*.
5. The auditor's report on compliance for the major state project for South Florida PBS, Inc. expresses an unmodified opinion.
6. There are no findings relative to the major state project for South Florida PBS, Inc. reported in Part C of this schedule.
7. The project tested as a major project is as follows:

<u>State Project:</u>	<u>CSFA Number</u>
State of Florida Department of Education - Florida Community Service Grant	48.056

8. The threshold for distinguishing Type A and Type B projects was \$ 188,063.

B. Findings - Financial Statements Audit

No matters to be reported.

C. Findings and Questioned Costs - Major State Financial Assistance Project Audit

No matters to be reported

D. Other Issues

A separate management letter was not issued because there were no findings required to be reported in the management letter.

No summary schedule of prior audit findings is required because there were no prior audit findings related to state projects.

No corrective action plan is required because there were no findings reported under the Florida Single Audit Act.