

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS

FLORIDA WEST COAST PUBLIC BROADCASTING, INC.

September 30, 2017 and 2016

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CERTIFIED PUBLIC ACCOUNTANTS**

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INDEPENDENT AUDITORS' REPORT

Board of Directors  
Florida West Coast Public Broadcasting, Inc.

**Report on the Financial Statements**

We have audited the accompanying financial statements of Florida West Coast Public Broadcasting, Inc. (a nonprofit organization) ("WEDU"), which comprise the statements of financial position as of September 30, 2017 and 2016, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

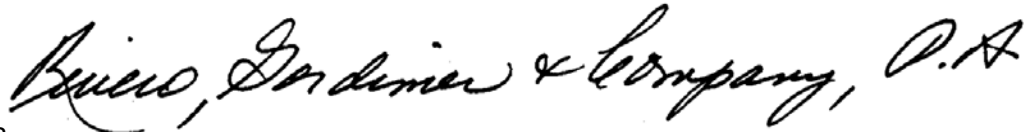
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WEDU as of September 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2018, on our consideration of WEDU'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 WEDU's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Bruce, Gardner & Company, P.A." The signature is written in a cursive, flowing style.

Tampa, Florida  
January 10, 2018

Florida West Coast Public Broadcasting, Inc.

STATEMENTS OF FINANCIAL POSITION

September 30,

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and cash equivalents (notes A3 and A4)	\$ 339,511	\$ 586,534
Receivables - current portion, net (notes A5 and B)	565,827	487,333
Prepaid expenses and other current assets	<u>117,409</u>	<u>138,948</u>
Total current assets	1,022,747	1,212,815
Beneficial interest in trusts (notes A7 and F)	2,371,559	2,261,007
Beneficial interest in funds held by others (notes A8 and F)	902,219	845,478
Investments held for long-term purposes (notes D, E and F)	13,393,494	11,820,650
Land, building and equipment, net (notes A9 and C)	4,826,724	5,225,675
Investment in the Digital Convergence Alliance (note G)	384,818	568,453
Other assets	<u>10,824</u>	<u>10,672</u>
Total assets	<u>\$ 22,912,385</u>	<u>\$ 21,944,750</u>

	<u>2017</u>	<u>2016</u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 85,519	\$ 228,034
Accrued expenses	502,988	582,182
Deferred production and underwriting fees	<u>117,420</u>	<u>127,024</u>
Total current liabilities	705,927	937,240
Deferred revenue - tower (note J)	400,040	426,704
Other liabilities	75,379	69,335
Commitments (notes G and J)	<u>-</u>	<u>-</u>
Total liabilities	<u>1,181,346</u>	<u>1,433,279</u>
Net assets		
Unrestricted	16,302,759	15,222,364
Temporarily restricted	249,169	287,594
Permanently restricted	<u>5,179,111</u>	<u>5,001,513</u>
Total net assets	<u>21,731,039</u>	<u>20,511,471</u>
Total liabilities and net assets	<u>\$ 22,912,385</u>	<u>\$ 21,944,750</u>

The accompanying notes are an integral part of these statements.

Florida West Coast Public Broadcasting, Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended September 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue				
Contributions and gifts	\$ 4,368,494	\$ 231,800	\$ 11,507	\$ 4,611,801
Governmental grants	1,515,312	-	-	1,515,312
In-kind contributions (note A13)	1,235,359	-	-	1,235,359
Local program underwriting	829,392	-	-	829,392
Program production and studio rental	388,049	-	-	388,049
Rental income	630,029	-	-	630,029
Investment income (realized and unrealized) (note D)	1,358,666	-	-	1,358,666
Change in value of beneficial interest in trusts	-	-	229,505	229,505
Change in value of beneficial interest in funds held by others	-	-	98,237	98,237
Special events	37,165	-	-	37,165
Other income	183,637	-	-	183,637
	<u>10,546,103</u>	<u>231,800</u>	<u>339,249</u>	<u>11,117,152</u>
Distributions from beneficial interest in trusts and funds held by others	161,651	-	(161,651)	-
Assets released from restrictions	270,225	(270,225)	-	-
	<u>10,977,979</u>	<u>(38,425)</u>	<u>177,598</u>	<u>11,117,152</u>
Expenses				
Program services				
Programming and production	4,989,047	-	-	4,989,047
Broadcasting	2,514,887	-	-	2,514,887
	<u>7,503,934</u>	<u>-</u>	<u>-</u>	<u>7,503,934</u>
Supporting services				
Fundraising and membership	1,397,493	-	-	1,397,493
Management and general	812,522	-	-	812,522
	<u>2,210,015</u>	<u>-</u>	<u>-</u>	<u>2,210,015</u>
	<u>9,713,949</u>	<u>-</u>	<u>-</u>	<u>9,713,949</u>
Revenues less expenses	1,264,030	(38,425)	177,598	1,403,203
Other changes in net assets (note G)	(183,635)	-	-	(183,635)
Change in net assets	1,080,395	(38,425)	177,598	1,219,568
Net assets at beginning of year	<u>15,222,364</u>	<u>287,594</u>	<u>5,001,513</u>	<u>20,511,471</u>
Net assets at end of year	<u>\$ 16,302,759</u>	<u>\$ 249,169</u>	<u>\$ 5,179,111</u>	<u>\$ 21,731,039</u>

The accompanying notes are an integral part of this statement.

Florida West Coast Public Broadcasting, Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended September 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue</b>				
Contributions and gifts	\$ 5,061,924	\$ 21,131	\$ 150	\$ 5,083,205
Governmental grants	1,343,436	-	-	1,343,436
In-kind contributions (note A13)	1,224,406	-	-	1,224,406
Local program underwriting	681,780	-	-	681,780
Program production and studio rental	415,380	-	-	415,380
Rental income	700,619	-	-	700,619
Investment income (realized and unrealized) (note D)	1,224,217	-	-	1,224,217
Change in value of beneficial interest in trusts	-	-	158,862	158,862
Change in value of beneficial interest in funds held by others	-	-	71,236	71,236
Special events	47,035	-	-	47,035
Other income	264,496	-	-	264,496
	<u>10,963,293</u>	<u>21,131</u>	<u>230,248</u>	<u>11,214,672</u>
Distributions from beneficial interest in trusts and funds held by others	168,168	-	(168,168)	-
Assets released from restrictions	183,219	(183,219)	-	-
<b>Total revenue</b>	<u>11,314,680</u>	<u>(162,088)</u>	<u>62,080</u>	<u>11,214,672</u>
<b>Expenses</b>				
<b>Program services</b>				
Programming and production	4,871,413	-	-	4,871,413
Broadcasting	2,678,093	-	-	2,678,093
	<u>7,549,506</u>	<u>-</u>	<u>-</u>	<u>7,549,506</u>
<b>Supporting services</b>				
Fundraising and membership	1,229,478	-	-	1,229,478
Management and general	792,621	-	-	792,621
	<u>2,022,099</u>	<u>-</u>	<u>-</u>	<u>2,022,099</u>
<b>Total expenses</b>	<u>9,571,605</u>	<u>-</u>	<u>-</u>	<u>9,571,605</u>
Revenues less expenses	1,743,075	(162,088)	62,080	1,643,067
Other changes in net assets (note G)	(95,285)	-	-	(95,285)
Change in net assets	1,647,790	(162,088)	62,080	1,547,782
Net assets at beginning of year	13,574,574	449,682	4,939,433	18,963,689
Net assets at end of year	<u>\$ 15,222,364</u>	<u>\$ 287,594</u>	<u>\$ 5,001,513</u>	<u>\$ 20,511,471</u>

The accompanying notes are an integral part of this statement.



Florida West Coast Public Broadcasting, Inc.

STATEMENTS OF CASH FLOWS

For the year ended September 30,

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	<u>\$ 1,219,568</u>	<u>\$ 1,547,782</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	450,869	501,566
Change in value of beneficial interest in trust	(229,505)	(158,862)
Change in value of beneficial interest in funds held by others	(98,237)	(71,236)
Net realized and unrealized gain	(1,358,666)	(1,224,217)
Funds appropriated from beneficial interest in trust	118,953	126,700
Funds appropriated from beneficial interest in funds held by others	42,698	41,468
Funds appropriated from endowment	434,304	704,516
(Increase) decrease in receivables	(78,494)	1,007,915
Decrease in investment in Digital Convergence Alliance	183,635	95,285
Decrease in prepaid expenses and other current assets	21,539	82,160
Increase in other assets	(152)	(287)
(Decrease) increase in accounts payable and accrued expenses	(221,709)	306,830
Decrease in deferred revenue	(36,268)	(10,140)
Increase (decrease) in other liabilities	6,044	(14,242)
Total adjustments	<u>(764,989)</u>	<u>1,387,456</u>
Net cash provided by operating activities	<u>454,579</u>	<u>2,935,238</u>
Cash flows from investing activities		
Purchase of fixed assets	<u>(51,918)</u>	<u>(504,511)</u>
Net cash used by investing activities	<u>(51,918)</u>	<u>(504,511)</u>
Cash flows from financing activities		
Purchase of endowment investments, net	(648,482)	(2,217,794)
Increase in funds held by others	<u>(1,202)</u>	<u>(150)</u>
Net cash used by financing activities	<u>(649,684)</u>	<u>(2,217,944)</u>
Net (decrease) increase in cash and cash equivalents	(247,023)	212,783
Cash and cash equivalents at beginning of year	<u>586,534</u>	<u>373,751</u>
Cash and cash equivalents at end of year	<u>\$ 339,511</u>	<u>\$ 586,534</u>
Supplemental disclosures of cash flow information		
Cash paid during the year		
Interest	<u>\$ 245</u>	<u>\$ -</u>
Taxes	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

Florida West Coast Public Broadcasting, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended September 30, 2017

	Program Services			Supporting Services			Combined Total
	Programming and Production	Broadcasting	Total	Fundraising and Membership	Management and General	Total	
Salaries, payroll taxes and employee benefits	\$ 1,267,613	\$ 961,971	\$ 2,229,584	\$ 558,168	\$ 386,773	\$ 944,941	\$ 3,174,525
Advertising	104,721	14,640	119,361	18,392	5,619	24,011	143,372
Contract services	413,002	455,881	868,883	127,056	62,833	189,889	1,058,772
Depreciation	-	362,609	362,609	-	88,260	88,260	450,869
Donated facilities	551,297	110,595	661,892	82,945	93,000	175,945	837,837
Insurance	12,528	83,777	96,305	3,132	34,451	37,583	133,888
Broadcast system membership fees and program rights	1,997,553	5,966	2,003,519	2,408	16,407	18,815	2,022,334
Interest	-	-	-	-	245	245	245
Mailings and postage	67,171	10,281	77,452	38,631	2,111	40,742	118,194
Membership services	56,434	56,434	112,868	169,302	-	169,302	282,170
Premiums and commissions	116,900	116,894	233,794	308,776	-	308,776	542,570
Program guide	49,506	-	49,506	-	-	-	49,506
Professional membership and dues	9,747	20	9,767	2,266	1,939	4,205	13,972
Professional services	10,699	10,699	21,398	5,349	26,746	32,095	53,493
Repairs and maintenance	25,072	56,026	81,098	13,961	29,138	43,099	124,197
Supplies and printing	79,890	137,735	217,625	21,358	11,989	33,347	250,972
Telephone	73,626	43,234	116,860	29,443	24,840	54,283	171,143
Travel	60,299	9,166	69,465	11,562	6,893	18,455	87,920
Utilities	92,989	78,959	171,948	4,744	21,278	26,022	197,970
<b>Total expenses</b>	<b>\$ 4,989,047</b>	<b>\$ 2,514,887</b>	<b>\$ 7,503,934</b>	<b>\$ 1,397,493</b>	<b>\$ 812,522</b>	<b>\$ 2,210,015</b>	<b>\$ 9,713,949</b>

The accompanying notes are an integral part of this statement.

Florida West Coast Public Broadcasting, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended September 30, 2016

	Program Services			Supporting Services			Combined Total
	Programming and Production	Broadcasting	Total	Fundraising and Membership	Management and General	Total	
Salaries, payroll taxes and employee benefits	\$ 1,283,805	\$ 960,253	\$ 2,244,058	\$ 399,816	\$ 423,307	\$ 823,123	\$ 3,067,181
Advertising	146,835	16,154	162,989	28,191	10,822	39,013	202,002
Contract services	472,022	440,294	912,316	153,196	32,223	185,419	1,097,735
Depreciation	-	427,378	427,378	-	74,188	74,188	501,566
Donated facilities	514,558	104,202	618,760	77,418	86,802	164,220	782,980
Insurance	13,219	103,393	116,612	3,217	35,384	38,601	155,213
Broadcast system membership fees and program rights	1,723,552	5,857	1,729,409	1,522	15,590	17,112	1,746,521
Mailings and postage	67,507	15,764	83,271	43,257	937	44,194	127,465
Membership services	69,895	69,895	139,790	139,790	-	139,790	279,580
Premiums and commissions	161,694	161,694	323,388	305,360	-	305,360	628,748
Program guide	46,603	-	46,603	-	-	-	46,603
Professional membership and dues	6,058	-	6,058	933	1,801	2,734	8,792
Professional services	11,020	11,020	22,040	5,510	27,549	33,059	55,099
Repairs and maintenance	31,692	31,886	63,578	6,852	19,833	26,685	90,263
Supplies and printing	89,599	143,618	233,217	17,860	11,360	29,220	262,437
Telephone	47,428	70,647	118,075	27,531	23,354	50,885	168,960
Travel	87,695	10,409	98,104	13,981	8,896	22,877	120,981
Utilities	98,231	105,629	203,860	5,044	20,575	25,619	229,479
<b>Total expenses</b>	<b>\$ 4,871,413</b>	<b>\$ 2,678,093</b>	<b>\$ 7,549,506</b>	<b>\$ 1,229,478</b>	<b>\$ 792,621</b>	<b>\$ 2,022,099</b>	<b>\$ 9,571,605</b>

The accompanying notes are an integral part of this statement.

Florida West Coast Public Broadcasting, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and a summary of its significant accounting policies consistently applied in the preparation of the accompanying financial statements follow:

1. General

The accompanying financial statements include the accounts of Florida West Coast Public Broadcasting, Inc. ("WEDU"). WEDU is a nonprofit Florida corporation that operates a non-commercial public television station, WEDU, broadcasting to the west central Florida service area. WEDU receives its contributions and underwriting primarily from viewers in its service area along with funding from various federal and state grants.

The accounting and reporting policies of WEDU conform to accounting principles generally accepted in the United States of America, and are in accordance with the auditing and accounting guide issued by the American Institute of Certified Public Accountants, *Audits of Not-for-Profit Organizations*. WEDU adheres to the provisions of the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC").

These financial statements are prepared in accordance with the provisions of FASB ASC 958-605. Under these provisions, net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

Accordingly, net assets and changes therein are classified as follow:

- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by WEDU. Generally, donors of these assets permit WEDU to use the income earned on the related investments for general or specific purposes.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of WEDU and/or the passage of time.
- Unrestricted net assets - Net assets not subject to donor-imposed stipulations. Donor restricted contributions that are expended in the year of receipt for the restricted purposes are reported as unrestricted.

Revenue is reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Florida West Coast Public Broadcasting, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017 and 2016

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2. Revenue Recognition

Contributions, including unconditional pledges or promises to give, are recognized in the period received. Conditional pledges are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at estimated fair value. An allowance for uncollectible pledges receivable is provided based upon management's judgment and analysis regarding the creditworthiness of the donor, prior collection history, type of contribution and nature of fundraising activity.

Production underwriting is recorded on a completed contract basis. Program underwriting is recorded pro rata over the broadcast period. The unexpended portion of revenue received for program and production underwriting is reflected in the statement of financial position as deferred revenue.

In-kind contributions are recorded as revenue and expense in the period during which the benefit is received. In-kind contributions consist primarily of the use of donated facilities and equipment, professional services and promotions and are recorded at fair value.

Funding being received from an unrelated public broadcaster for its participation in WEDU's digital broadcasting tower and facilities is being recorded as deferred revenue to reflect WEDU's obligation to provide certain facilities over the life of the tower. The revenue is being recognized over the life of the tower (see note J).

3. Cash and Cash Equivalents

WEDU considers all short-term investments with an original maturity of three months or less to be cash equivalents.

4. Concentration of Credit Risk

Financial instruments, which potentially subject WEDU to concentrations of credit risk, consist principally of cash, cash equivalents and investments.

5. Pledges Receivable

The fair value of the pledges receivable is estimated by discounting expected future cash flows using a rate of return based on the yield of a U.S. Treasury Security with a maturity date similar to the expected collection period.

6. Bequests in Process

WEDU recognizes a receivable and revenue for its interest in bequests in process based on the estimated realizable value expected to be received. WEDU records bequests in process when the court declares the related will valid.

Florida West Coast Public Broadcasting, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017 and 2016

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

7. Beneficial Interest in Trusts

WEDU has a beneficial interest in a perpetual trust known as the Clayton B. Howe Trust and receives income from this trust, which is administered by a third party. Perpetual trusts are recorded at the fair value of the trust assets and are classified as permanently restricted net assets.

8. Beneficial Interest in Funds Held by Others

WEDU has transferred assets to a community foundation which holds the funds for the benefit of WEDU. When a nonprofit transfers assets to a charitable trust or community foundation in which the resource provider names itself as beneficiary, the economic benefit of the transferred assets remains with the resource provider. The asset received in exchange is a beneficial interest in assets held by others, measured at the fair value of the asset contributed. Changes in the value are recognized in the statement of activities as "change in value of beneficial interest in funds held by others."

Three additional funds exist at a community foundation that do not meet the criteria of a beneficial interest in funds held by others. As such, these assets are not WEDU's and are excluded from its Statement of Financial Position. These designated funds were valued at approximately \$391,000 and \$367,000 at September 30, 2017 and 2016, respectively. WEDU receives periodic distributions from the designated funds.

9. Land, Building, and Equipment

Land, building, and equipment are stated at cost, or in the case of donated property, at estimated fair value at the date of receipt. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, ranging from three to thirty years. WEDU capitalizes land, building and equipment additions that exceed \$5,000.

10. Income Taxes

WEDU is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from state income taxes. The Internal Revenue Code provides for taxation of unrelated business income under certain circumstances. WEDU has cumulative unrelated business losses for tax purposes of approximately \$2,000,000; however, such status is subject to final determination upon examination of the related tax returns by the appropriate taxing authorities. There is a valuation allowance against the unrelated business taxable income net operating loss deferred tax asset due to the uncertainty of future unrelated business taxable income. Tax years after September 30, 2013 remain subject to examination by taxing authorities.

Management is not aware of any activities that would jeopardize WEDU's tax exempt status. WEDU is not aware of any tax positions it has taken that are subject to a significant degree of uncertainty.

Florida West Coast Public Broadcasting, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017 and 2016

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

11. Functional Allocation of Expense

The costs of providing the various programs have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs benefited.

12. Use of Estimates

Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

13. In-Kind and Non-Cash Contributions

In-kind donation items used by WEDU are recorded as contributions and expenses to the extent that an objective basis is available to measure the value of such items.

Contributed services are recorded as contributions and expenses at their fair value, to the extent they create or enhance non-financial assets or require specialized skills, are provided by individuals or organizations possessing these skills, and would typically need to be purchased if not provided by donations.

In-kind contributions consisted of the following during the year ended September 30,:

	<u>2017</u>	<u>2016</u>
Donated facilities	\$ 837,837	\$ 782,980
Advertising and promotional services	338,313	364,388
Other	<u>59,209</u>	<u>77,038</u>
Total	<u>\$ 1,235,359</u>	<u>\$ 1,224,406</u>

A substantial number of volunteers have donated significant amounts of their time and resources toward the objectives of WEDU. However, no amounts are recorded in the accompanying financial statements for non-specialist services.

Florida West Coast Public Broadcasting, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017 and 2016

NOTE B - RECEIVABLES

Receivables consist of the following at September 30,:

	<u>2017</u>	<u>2016</u>
Current portion		
Pledges receivable for capital campaign, net of allowance for doubtful accounts of \$0 and \$35,358, respectively	\$ -	\$ 629
Pledges receivable for endowment campaign, net of allowance for doubtful accounts of \$0 and \$10,583 respectively	9,000	8,417
Pledges receivable, other	396,306	344,826
Bequests in process	-	1,750
Accounts receivable, net of allowance for doubtful accounts of \$7,429 for both years	<u>160,521</u>	<u>131,711</u>
Total receivables, net	<u>\$ 565,827</u>	<u>\$ 487,333</u>

NOTE C - LAND, BUILDING, AND EQUIPMENT

Land, building, and equipment consist of the following at September 30,:

	<u>2017</u>	<u>2016</u>
Land	\$ 614,029	\$ 614,029
Building	912,329	912,329
Telecasting equipment	4,310,576	4,568,489
Office furniture and equipment	373,626	372,319
Leasehold improvements	711,111	700,241
Digital transmission tower, antenna and related equipment	<u>6,657,255</u>	<u>6,673,448</u>
	13,578,926	13,840,855
Less accumulated depreciation	<u>(8,752,202)</u>	<u>(8,615,180)</u>
	<u>\$ 4,826,724</u>	<u>\$ 5,225,675</u>

Land under the operating facility, valued at \$75,000 was received in fiscal year 1976 from the City of Tampa and restricted for use as the site for construction of an educational and/or public broadcasting facility. Title will revert to the City of Tampa if the land ceases to be used for the purpose of a nonprofit and noncommercial educational and/or public broadcasting system.



Florida West Coast Public Broadcasting, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017 and 2016

NOTE C - LAND, BUILDING, AND EQUIPMENT - Continued

Portions of the digital transmission tower and related equipment acquired with federal or state grant money are considered to be owned by WEDU. Furthermore, these grants have a reversionary clause that vests ownership of the related assets with the grantor entity for the useful life of the asset or a specific time period of 10 years, as described in the contracts. The cost basis of such property and equipment is \$5,019,493 and is expected to be utilized by WEDU for its entire useful life.

NOTE D - INVESTMENTS HELD FOR LONG-TERM PURPOSES

Investments held for long-term purposes represent WEDU's endowment fund, are stated at fair market value and are comprised of the following at September 30,:

	<u>2017</u>	<u>2016</u>
Money market funds	\$ 444,505	\$ 342,537
Fixed income	3,290,195	2,897,160
Stocks and mutual funds	<u>9,658,794</u>	<u>8,580,953</u>
	<u>\$ 13,393,494</u>	<u>\$ 11,820,650</u>

These endowment fund investments include Board designated funds and donor restricted funds, which limit their use to the investment income earned during the year.

The components of investment return are as follows for the years ended September 30,:

	<u>2017</u>	<u>2016</u>
Dividends and interest	\$ 234,204	\$ 210,232
Net realized gains	385,481	345,931
Net unrealized gains	815,756	736,724
Investment fees	<u>(76,775)</u>	<u>(68,670)</u>
	<u>\$ 1,358,666</u>	<u>\$ 1,224,217</u>

NOTE E - ENDOWMENTS

WEDU's endowment includes both donor restricted funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on existence or absence of donor imposed restrictions.

Florida West Coast Public Broadcasting, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017 and 2016

NOTE E - ENDOWMENTS - Continued

Interpretation of Relevant Law

In July 2011, the State of Florida adopted the Florida Uniform Prudent Management of Institutional Funds Act ("FUPMIFA"). WEDU has interpreted the 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 stipulation to the contrary. As a result of this interpretation, WEDU classifies 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.

In accordance with the FUPMIFA, WEDU considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of WEDU and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and that appreciation of investments
6. Other resources of WEDU
7. The investment policies of WEDU

Return Objectives, Risk Parameters, and Strategies

WEDU has adopted an investment and spending policy for endowment assets that attempts to preserve the real (inflation adjusted) value of endowment assets, increase the real value of the portfolio and facilitate a potential distribution to support some level of future operations. Endowment assets include those assets of donor-restricted funds that WEDU must hold in perpetuity or for a donor-specified period(s). The terms of the operating policies of the endowment funds (the "Fund") requires that the Fund will be monitored by the Investment Committee and approved by the Board of Directors. The Investment Committee is responsible to oversee the portfolio's investments and monitor the investments on an ongoing basis to ensure that long-term objectives are being met.

Florida West Coast Public Broadcasting, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017 and 2016

NOTE E - ENDOWMENTS - Continued

The Investment Committee has agreed to a target asset allocation for the portfolio's assets and seeks advice from professional investment managers which hold the assets. The Fund is to invest funds in accordance with the standards set forth in WEDU's investment policy.

Spending Policy and how the Investment Objective Related to Spending Policy

WEDU's Board of Directors, on the recommendation of the Investment Committee, has adopted a spending policy that governs the annual distributions from the endowment fund that may be expended for current operations of WEDU. This policy authorizes WEDU to distribute from its endowment fund a specified percentage, to be determined by the Board of Directors (Board) from time to time, of the current market at budget time or fiscal year-end of the endowment fund.

The policy also allows the board to base the distribution formula on the average market value over a period of several years as it chooses to do so. For the fiscal years ended September 30, 2017 and 2016, WEDU's Board of Trustees authorized the distribution and expenditure of five percent (5%) of the three year average market value of the endowment as of December 31, 2016 and 2015, respectively.

Distributions cannot exceed the accumulated unspent earnings of the endowment without WEDU's Board approval. Income earned in excess of the spending rate may be reinvested in endowment principal. This is consistent with WEDU's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through investment return.

Changes in the endowment's net assets are as follows:

	Unrestricted Board Designated	Permanently Restricted	Total
Endowment net assets at September 30, 2015	\$ 7,216,544	\$ 4,939,433	\$ 12,155,977
Interest and dividends	210,232	109,296	319,528
Realized and unrealized activity, net of fees	1,013,985	120,802	1,134,787
Endowment additions	2,217,794	150	2,217,944
Endowment distributions	<u>(724,397)</u>	<u>(168,168)</u>	<u>(892,565)</u>
Endowment net assets at September 30, 2016	9,934,158	5,001,513	14,935,671
Interest and dividends	234,204	73,154	307,358
Realized and unrealized activity, net of fees	1,124,462	254,588	1,379,050
Endowment additions	648,482	11,507	659,989
Endowment distributions	<u>(445,312)</u>	<u>(161,651)</u>	<u>(606,963)</u>
Endowment net assets at September 30, 2017	<u>\$ 11,495,994</u>	<u>\$ 5,179,111</u>	<u>\$ 16,675,105</u>

Florida West Coast Public Broadcasting, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017 and 2016

NOTE F - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Financial Accounting Standards Board's *Accounting Standards Codification 820* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

A fair value measure should reflect the assumptions that market participants would use in pricing the asset or liability, including the assumptions about the risk inherent in a particular valuation technique, the effect of a restriction on the sale or use of an asset and the risk of nonperformance.

The three levels of the fair value hierarchy under FASB ASC 820 are described below:

- Level 1 valuations, where the valuation is based on quoted market prices for identical assets or liabilities traded in active markets (which include exchanges and over-the counter markets with sufficient volume),
- Level 2 valuations, where the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market, and
- Level 3 valuations, where the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on Company-specific data. These unobservable assumptions reflect the Company's own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

ITEMS MEASURED AT FAIR VALUE ON A RECURRING BASIS

Investments held for long-term purposes, beneficial interest in trusts, and beneficial interest in funds held by others are recorded at fair value on a recurring basis. Below is a description on valuation methodologies for these assets.

Investments held for long-term purposes and beneficial interest in trusts primarily consist of publicly traded stocks, and mutual funds. WEDU uses quoted market prices of identical assets on active exchanges, or Level 1 measurement.

Beneficial interest in funds held by others consists of funds held by a community foundation. The beneficial interest is not actively traded and significant other observable inputs are not available. Thus, the fair value is equal to the value reported by the trustee.

Florida West Coast Public Broadcasting, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017 and 2016

NOTE F - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

The following table presents financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Assets:				
Investments held for long-term purposes				
Cash and equivalents	\$ 444,504	\$ -	\$ -	\$ 444,504
Equities				
U.S. Large Cap	7,168,741	-	-	7,168,741
International	2,490,053	-	-	2,490,053
Fixed				
U.S. Treasuries and agencies		960,882		960,882
Mortgage securities	-	19,639		19,639
U.S. corporate bonds	-	2,309,675	-	2,309,675
Beneficial interest in trusts				
Cash and equivalents	35,336	-	-	35,336
Equities				
U.S. Large Cap	1,444,609	-	-	1,444,609
Exchange Traded Funds	70,257	-	-	70,257
Fixed				
U.S. Treasuries and agencies	-	119,881	-	119,881
U.S. corporate bonds	-	590,875	-	590,875
Mutual bond funds	-	54,857	-	54,857
Miscellaneous	-	55,744	-	55,744
Beneficial interest in funds held by others	-	-	902,219	902,219
Total assets	<u>\$ 11,653,500</u>	<u>\$4,111,553</u>	<u>\$ 902,219</u>	<u>\$ 16,667,272</u>

Florida West Coast Public Broadcasting, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017 and 2016

NOTE F - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

The following table presents financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Assets:				
Investments held for long-term purposes				
Cash and equivalents	\$ 342,538	\$ -	\$ -	\$ 342,538
Equities				
U.S. Large Cap	8,053,547	-	-	8,053,547
International	318,283	-	-	318,283
Real estate investment trusts	209,123	-	-	209,123
Fixed				
U.S. Treasuries and agencies		794,086		794,086
Mortgage securities	-	11,559		11,559
U.S. corporate bonds	-	2,091,514	-	2,091,514
Beneficial interest in trusts				
Cash and equivalents	57,833	-	-	57,833
Equities				
U.S. Large Cap	1,111,080	-	-	1,111,080
Exchange Traded Funds	199,621	-	-	199,621
Fixed				
U.S. Treasuries and agencies	-	164,863	-	164,863
U.S. corporate bonds	-	533,579	-	533,579
Mutual bond funds	-	67,491	-	67,491
Miscellaneous	-	126,540	-	126,540
Beneficial interest in funds held by others	-	-	845,478	845,478
	<u>-</u>	<u>-</u>	<u>845,478</u>	<u>845,478</u>
Total assets	<u>\$ 10,292,025</u>	<u>\$ 3,789,632</u>	<u>\$ 845,478</u>	<u>\$ 14,927,135</u>

Assets and liabilities in all levels could result in volatile and material price fluctuations. Realized and unrealized gains and losses on level 3 assets represent only a portion of the risk to market fluctuations on the statement of financial position.

Florida West Coast Public Broadcasting, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017 and 2016

NOTE F - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

The following table illustrates a rollforward for all assets measured at fair value on a recurring basis using significant unobservable inputs (level 3).

A reconciliation of WEDU's level 3 assets follows:

Beneficial interest in funds held by others at September 30, 2015	\$ 815,561
Additions	150
Realized and unrealized gains, net	71,236
Distributions	<u>(41,469)</u>
Beneficial interest in funds held by others at September 30, 2016	845,478
Additions	1,200
Realized and unrealized losses, net	98,238
Distributions	<u>(42,697)</u>
Beneficial interest in funds held by others at September 30, 2017	<u>\$ 902,219</u>

NOTE G - INVESTMENT IN THE DIGITAL CONVERGENCE ALLIANCE (DCA)

On March 1, 2013 WEDU entered into agreements with the Corporation for Public Broadcasting (CPB) and the Digital Convergence Alliance (DCA) as a founding member of the Network Operations Center (NOC). CPB awarded a \$7 million grant to the Digital Convergence Alliance (DCA), comprising 11 public television stations that serve communities in Florida, Georgia, Texas, Wisconsin, and Illinois, to combine their operations into a single master control location. Specifically, CPB's grant will allow the DCA to establish the NOC, resulting in projected lower direct costs and a projected savings of more than \$20 million over 10 years.

Under the agreements, WEDU is required to pay \$2.2 million over a ten year period for the joint master control services provided by NOC (\$1.7 million), and for funding equipment replacements (\$0.5 million). These required payments could be reduced if additional NOC clients are acquired by the DCA. WEDU would likely be required to pay a \$700,000 penalty for withdrawing from the agreement at any time during the first five years. The possible withdrawal penalty is reduced to \$350,000 between years six and ten of the contracts. WEDU paid \$233,352 to the DCA during both years ended September 30, 2017 and 2016. Approximately \$1,002,000 and \$769,000 has been paid by WEDU as of September 30, 2017 and 2016, respectively, since entering into the agreement.

Florida West Coast Public Broadcasting, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017 and 2016

NOTE G - INVESTMENT IN THE DIGITAL CONVERGENCE ALLIANCE (DCA) - Continued

WEDU accounts for its investment in the DCA as an investment in a cooperative. Under this method of accounting, WEDU's investment in DCA is increased or reduced by WEDU's allocation of DCA's net income or losses. For the years ended September 30, 2017 and 2016, WEDU's share of loss was \$183,635 and \$95,285, respectively, which consisted primarily of WEDU's share of depreciation on broadcast equipment. The carrying amount of the investment in DCA was \$384,818 and \$568,453 as of September 30, 2017 and 2016, respectively.

The following is a summary of DCA's financial position and operating results as of, and for the twelve month period ended September 30,:

	<u>2017</u>	<u>2016</u>
Total assets	<u>\$ 4,988,425</u>	<u>\$ 7,142,954</u>
Total liabilities	\$ 755,426	\$ 889,971
Members' equity	<u>4,232,999</u>	<u>6,252,983</u>
Total liabilities and members' equity	<u>\$ 4,988,425</u>	<u>\$ 7,142,954</u>
Revenue	\$ 3,060,584	\$ 2,640,522
Expenses	<u>5,084,623</u>	<u>3,688,001</u>
(Loss) income	<u>\$ (2,024,039)</u>	<u>\$ (1,047,479)</u>

NOTE H - LINE OF CREDIT

WEDU has a \$750,000 bank line of credit secured by all assets which is payable on demand with a maturity date of February 2018. Interest is payable monthly at LIBOR index rate (1.23% and 0.531% at September 30, 2017 and 2016, respectively) plus 270 basis points with minimum interest of 3.25%. The effective interest rate at September 30, 2017 and 2016 was 3.91% and 3.25%, respectively. There was no outstanding balance on this line of credit as of September 30, 2017 and 2016.

NOTE I - RETIREMENT PLAN

WEDU formed the Florida West Coast Public Broadcasting, Inc. Tax Deferred Annuity Plan (the "Plan"), effective October 1991. The Plan is a Defined Contribution Plan created under Section 403(b) of the Internal Revenue Code, and is available to all employees who have completed six months of service. Pursuant to the Plan document, WEDU, at the discretion of the Board of Directors, will match up to 4% of eligible employee contributions. WEDU contributed approximately \$76,000 and \$70,000 to the Plan during fiscal years 2017 and 2016, respectively.



Florida West Coast Public Broadcasting, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017 and 2016

NOTE J - COMMITMENTS AND CONTINGENCIES

The Telecommunications Act of 1996 (the "Act") established the requirement that all noncommercial television stations must begin digital transmission on new channel assignments no later than May 1, 2003. WEDU is in compliance with the 2003 digital transmission deadline and has constructed a new transmission tower for a digital transmitter, and a related broadcast facility building (together, the "tower") that was put in service in October 2002.

Funding for the tower and related other digital broadcast facilities and equipment was financed through government grants, a construction loan, community contributions and an agreement with another unrelated public broadcasting station ("WUSF"). The agreement with WUSF requires WEDU to provide space on the tower and related facilities for WUSF digital and analog transmission equipment for the life of the tower, and to share 25% of the net operating expenses or income of the tower with WUSF. In exchange, WUSF agreed to contribute approximately \$800,000 and its assistance with certain land easement required for the tower construction.

The contribution was recorded by WEDU as deferred revenue, to be amortized on a straight-line basis over the life of the tower (30 years). WEDU began amortizing the deferred rent in October 2002.

WEDU leases a building and space on the digital transmission tower to unrelated organizations under operating lease agreements for terms of up to 25 years. Approximate future minimum rentals to be received by WEDU, exclusive of the deferred rent from WUSF, are as follow:

<u>Year ending September 30,</u>	
2018	\$ 280,000
2019	46,000
2020	22,000
2021	<u>16,000</u>
	<u>\$ 364,000</u>

WEDU leases equipment under operating leases. The following is a schedule of approximate minimum lease payments under those operating leases:

<u>Year ending September 30,</u>	
2018	\$ 10,000
2019	8,000
2020	<u>2,000</u>
	<u>\$ 20,000</u>

Florida West Coast Public Broadcasting, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017 and 2016

NOTE K - SUBSEQUENT EVENTS

WEDU has evaluated events and transactions occurring subsequent to September 30, 2017 as of January 10, 2018 which is the date the financial statements were available to be issued.

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

FLORIDA WEST COAST PUBLIC BROADCASTING, INC.  
September 30, 2017 and 2016



**RIVERO, GORDIMER & COMPANY, P.A.  
CERTIFIED PUBLIC ACCOUNTANTS**

Member  
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Stephen G. Douglas  
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James K. O'Connor

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

Board of Directors  
Florida West Coast Public Broadcasting, Inc.

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 financial statements of Florida West Coast Public Broadcasting, Inc. ("WEDU"), which comprise the statements of financial position as of September 30, 2017 and 2016, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated January 10, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered WEDU'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of WEDU's internal control. Accordingly, we do not express an opinion on the effectiveness of WEDU'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.

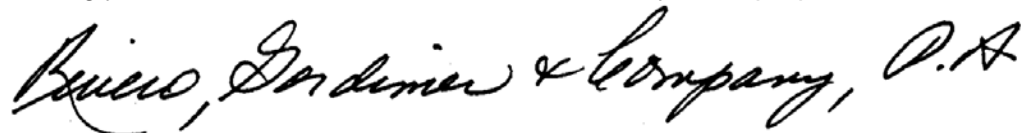
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 WEDU's 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 WEDU's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WEDU's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Bruce, Gardner & Company, P.A." The signature is written in black ink and is positioned above the typed text of the firm's name.

Tampa, Florida  
January 10, 2018

INDEPENDENT AUDITORS' MANAGEMENT LETTER  
FLORIDA WEST COAST PUBLIC BROADCASTING, INC.  
September 30, 2017 and 2016



**RIVERO, GORDIMER & COMPANY, P.A.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

Member  
American Institute of Certified Public Accountants  
Florida Institute of Certified Public Accountants

Herman V. Lazzara  
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Stephen G. Douglas  
Michael E. Helton  
Christopher F. Terrigino  
James K. O'Connor

INDEPENDENT AUDITORS' MANAGEMENT LETTER

Board of Directors  
Florida West Coast Public Broadcasting, Inc.

In planning and performing our audit of the financial statements of Florida West Coast Public Broadcasting, Inc. ("WEDU"), as of and for the years ended September 30, 2017 and 2016, in accordance with auditing standards generally accepted in the United States of America, we considered WEDU's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of WEDU's internal control. Accordingly, we do not express an opinion on the effectiveness of the WEDU'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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

This report is intended solely for the information and use of the management, Board of Directors, others within the entity and grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

Tampa, Florida  
January 10, 2018