South Florida PBS, Inc. and Affiliates

Consolidated Financial Statements
and Additional Information
For the Year Ended June 30, 2017

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, 2017, 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, 2017, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedules of other financial information on pages 20 through 23 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2017, 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, contacts, 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

KEEFE McCULLOUGH

Fort Lauderdale, Florida
October 31, 2017

FINANCIAL STATEMENTS

South Florida PBS, Inc. and Affiliates
Consolidated Statement of Financial Position
June 30, 2017

Current Assets:		
Cash and cash equivalents	$	2,322,617
Receivables, net of allowance for doubtful accounts of approximately $ 28,900		5,572,767
Prepaid expenses and other assets		794,086
Program broadcast rights, net of amortization		1,084,904
Current portion of note receivable		275,134
Total current assets		10,049,508
Other assets		84,298
Investments		11,029,493
Cash surrender value and premiums receivable on life insurance policies		805,977
Program broadcast rights, net of amortization and current portion		487,692
Property and equipment, net		8,498,313
FCC broadcast license		1,705,900
Total assets	$	32,661,181
Liabilities:		
Current liabilities:		
Accounts payable	$	5,373,213
Accrued expenses		640,598
Pension liability		453,322
Refundable program advances		726,000
Program broadcast rights payable		5,805
Present value of annuity obligations		91,678
Line of credit		1,500,000
Capital lease payable		82,701
Total current liabilities		8,873,317
Deferred compensation payable		80,071
Deferred revenue		889,746
Present value of annuity obligations		1,217,099
Pension liability, due beyond one year		4,451,676
Note payable		759,191
Capital lease payable, due beyond one year		647,099
Total liabilities		16,918,199
Net Assets:		
Unrestricted:		
Board designated		6,916,704
Undesignated (deficit)		(1,600,864)
Temporarily restricted		3,651,850
Permanently restricted		6,775,292
Total net assets		15,742,982
Total liabilities and net assets	$	32,661,181

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, 2017

Change in Unrestricted Net Assets:	
Revenues, gains (losses) and other support:	
Contract productions	$ 2,591,212
Contributions and bequests	6,765,518
Satisfaction of program restrictions	1,070,245
Corporation for Public Broadcasting:	
Community service grant	2,004,673
Transition grant	228,459
State of Florida Department of Education:	
Community service grant	614,889
Program underwriting	1,556,216
Interest income	203,803
Other	722,379
Net realized gain on sale of investments	1,009,872
Net unrealized loss on investments	(80,331)
Total revenues, gains (losses) and other support	16,686,935
Operating expenses:	
Program production, acquisition and delivery	12,253,183
Development and marketing	3,613,143
General and administrative	3,801,046
Interest expense	487,788
Total operating expenses	20,155,160
Change in unrestricted net assets	(3,468,225)
Change in Temporarily Restricted Net Assets:	
Interest income	129,456
Net unrealized loss on investments	(10,673)
Change in present value of annuity obligations	17,095
Net assets released from restrictions	(1,070,245)
Net realized gain on sale of investments	521,615
Change in temporarily restricted net assets	(412,752)
Change in net assets before other item	(3,880,977)
Other item:	
Spectrum auction proceeds, net of related expenses	4,196,299
Change in net assets	315,322
Pension Liability Adjustment	1,195,689
Net Assets, beginning of year	14,231,971
Net Assets, end of year	$ 15,742,982

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, 2017

Operating Activities:	
Cash received from supporters and customers	$ 14,339,467
Interest received	333,259
Interest paid	(444,815)
Cash paid for support services, to suppliers and employees	(17,942,918)
Net cash used in operating activities	(3,715,007)
Investing Activities:	
Cash received from sales or maturities of investments	3,884,541
Cash paid for property and equipment	(50,855)
Cash paid for investments	(878,984)
Repayments from third parties	256,535
Net cash provided by investing activities	3,211,237
Financing Activities:	
Repayment of borrowings from financial institution	(841,747)
Net cash used in financing activities	(841,747)
Net decrease in cash and cash equivalents	(1,345,517)
Cash and Cash Equivalents, beginning of year	3,668,134
Cash and Cash Equivalents, end of year	$ 2,322,617
Reconciliation of Change in Net Assets to Net Cash Used in Operating Activities:	
Change in net assets	$ 315,322
Adjustments:	
Amortization of program rights	2,482,260
Provision for depreciation	904,727
Net unrealized loss on investments	91,004
Change in present value of annuity obligation	(24,381)
Accretion of discount on investments	38,110
Net realized gain on sale of investments and property and equipment	(1,531,487)
Contributed stock	(79,848)
Bad debt expense	19,456
Changes in assets and liabilities:	
Receivables	(4,492,238)
Prepaid expenses and other assets	(347,585)
Program broadcast rights	(2,504,965)
Cash surrender value on life insurance policies over deferred compensation payable	(14,361)
Accounts payable, accrued expenses and pension liability	1,140,282
Refundable program advances	108,714
Program broadcast rights payable	(34,830)
Deferred revenue	214,813
Net cash (used in) provided by operating activities	$ (3,715,007)

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

Note 1 - Organization and Operations

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

Note 2 - Summary of Significant Accounting Policies

Principles of consolidation: The consolidated financial statements include the accounts of SFPBS, 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 SFPBS 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.

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.

Note 2 - Summary of Significant Accounting Policies (continued)

Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Without donor stipulations regarding how long these donated assets must be maintained, 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, 2017 there were no such donations.

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 SFPBS (Note 3).

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, 2017.

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.

Note 2 - Summary of Significant Accounting Policies (continued)

In-kind contributions: In-kind contributions are recorded as revenue and expense in the accompanying consolidated statement of activities. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals processing 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, 2017.

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 and expense recognized during the year ended June 30, 2017 equaled approximately $ 440,700.

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 October 31, 2017, 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 SFPBS, 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 SFPBS. Eligible funds consist of all unrestricted funds and earnings of the true endowments. At its option, SFPBS 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 $ 6,916,704 at June 30, 2017, and are classified as Board designated in the accompanying consolidated statements of financial position. SFPBS elected to withdraw from the quasi-endowment fund $ 1,542, as provided under the endowment's terms, for the year ended June 30, 2017.

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. WCFI used $ 895,766 for the purchase of the designated types of programs from the two funds established for specific types of purchases, for the year ended June 30, 2017.

Note 3 - Net Assets (continued)

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. Consistent with the terms of the endowment, SFPBS received $ 439,081 during the year ended June 30, 2017, from the true endowment for specific programming purposes, and SFPBS also received $ 46,530 during the year ended June 30, 2017 from the Vernon Julianne Trust.

Note 4 - Investments

Investments at June 30, 2017 consist of the following:

Investment of endowment funds in equity funds	$	4,701,316
Investments of endowment funds in corporate and foreign bonds		1,294,889
Investments of gifts of future interest in equity funds		2,914,991
Investment of gifts of future interest, corporate and foreign interest bearing securities and certificates of deposits		2,118,297
Total investments	$	11,029,493

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, 2017:

	Level 1	Level 2	Level 3	Total
Asset Class:				
Equities and equity funds	$ 7,616,306	$ -	$ -	$ 7,616,306
Corporate and foreign bonds	-	3,310,266	-	3,310,266
Certificates of deposit	-	102,921	-	102,921
Total	$ 7,616,306	$ 3,413,187	$ -	$ 11,029,493

For the year ended June 30, 2017, 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 SFPBS. 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 SFPBS 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. SFPBS 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 SFPBS additional funding.

Note 6 - Endowments (continued)

Endowment net asset composition by type of fund as of June 30, 2017 is as follows:

	Unrestricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 6,775,292	$ 6,775,292
Board-designated endowment funds	6,916,704	-	6,916,704
Total funds	$ 6,916,704	$ 6,775,292	$ 13,691,996

Changes in endowment net assets for the fiscal year ended June 30, 2017 are as follows:

	Unrestricted	Permanently Restricted	Total
Endowment net assets, at beginning of year	$ 6,882,413	$ 6,775,292	$ 13,657,705
Interest income	266,231	-	266,231
Net appreciation (realized and unrealized)	930,854	-	930,854
Contributions and other	19,039	-	19,039
Satisfaction of program restrictions	1,060,245	-	1,060,245
Appropriation of endowment assets for expenditure	(2,242,078)	-	(2,242,078)
Endowment net assets, at end of year	$ 6,916,704	$ 6,775,292	$ 13,691,996

Note 7 - Property and Equipment

Property and equipment consists of the following as of June 30, 2017:

	2017	Estimated Useful Lives in Years
Engineering and production equipment	$ 16,920,961	7
Computer, office furniture and equipment	5,565,988	5-7
Building and improvements	6,403,097	15-30
Transmitter, tower and antenna	3,419,555	15-30
Leasehold improvements	2,269,127	7-15
Vehicles	43,006	3
	34,621,734	
Less accumulated depreciation	30,040,472	
	4,581,262	
Land	3,917,051	
	$ 8,498,313	

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	$	786,580
General and administrative		118,147
	$	904,727

Note 8 - FCC Broadcast License

The Federal Communication Commission (FCC) broadcast license is an indefinite lived asset that is not amortized. SFPBS values the broadcast license as part of a previous acquisition. SFPBS 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. SFPBS'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, 2017, management has determined that no impairment exists.

Note 9 - Note Receivable

SFPBS's note receivable as of June 30, 2017 consists of the following:

Promissory note dated February 25, 2003, due from NBC Stations Management, Inc.; matures June 1, 2018; interest imputed at 7.25% per annum.	$	275,134

Interest income recorded on the promissory note totaled approximately $ 37,000 for the year ended June 30, 2017, and has been recorded in the accompanying statement of activities.

Note 10 - Borrowings with Financial Institution

WCFI previously entered into an agreement with an investment company to borrow against investment holdings. The investments collateralizing these loans were all sold during the year ended June 30, 2017; consequently, these borrowings were paid off.

Interest expense up to the sale date was charged at 0.5% below the broker call rate and was approximately $ 4,000 during the year ended June 30, 2017.

Note 11 - Note Payable

SFPBS's note payable includes the following at June 30, 2017:

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.	$	759,191

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

Year Ending June 30,		
2018	$	-
2019	$	180,000
2020	$	180,000
2021	$	180,000
2022	$	180,000
Thereafter	$	181,300

Note 12 - Line of Credit

SFPBS has a line of credit of $ 1,500,000, which provides for interest on outstanding borrowings at the prevailing prime rate (4.25% at June 30, 2017). The line of credit matures on February 18, 2018, and is subject to renewal on an annual basis. At June 30, 2017 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.

Note 13 - Community Service and Other Grants (continued)

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 $ 1,308,777 at June 30, 2017, 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, 2017, WCFI reported a change in value of split-interest agreements of $ (24,381). 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, 2017 included the following:

Broadcasting and delivery	$	4,338,462
Acquired programming		3,938,337
Other program production		2,782,883
Commercial production		1,193,501
Total program production, acquisition and delivery	$	12,253,183

Note 16 - Employee Benefit Plans

SFPBS sponsored a noncontributory defined benefit pension plan (the Plan) that covered substantially all of its employees that previously worked for WPBT. 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, SFPBS contributes the minimum amount required by regulations of the Employee Retirement Income Security Act. For the year ending June 30, 2017, SFPBS made required contributions of $ 283,331 to the Plan. SFPBS expects to contribute $ 453,322 to the Plan during the fiscal year ending June 30, 2018.

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

The following table displays the funding status of the Plan:

Fair value of Plan assets	$	11,673,542
Projected benefit obligation		(16,578,540)
Unfunded liability	$	(4,904,998)

There were benefits of $ 882,121 paid during the year ended June 30, 2017. Further, SFPBS recorded a pension expense of $ 238,156 in 2017.

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	$	4,707,831
Debt securities		6,965,711
	$	11,673,542

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	3.9%
Discount rate to determine net periodic pension costs	3.6%
Expected rate of return on Plan assets	6.0%
Mortality table	2014 Society of Actuaries Basic Mortality Table (complete dataset) with full generational projection using the 2015 SOA Projection Scale
Measurement date	6/30/17

Note 16 - Employee Benefit Plans (continued)

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

Pension liability, beginning of year	$	6,145,862
Contributions		(283,331)
Pension liability adjustment		(1,195,689)
Net periodic benefit cost		238,156
Pension liability, end of year	$	4,904,998

The net periodic benefit cost is calculated as follows:

Interest cost	$	610,179
Net loss amortization		316,917
Expected return on assets		(688,940)
	$	238,156

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

Years Ending June 30,		
2018	$	977,872
2019	$	1,048,511
2020	$	1,053,776
2021	$	1,052,200
2022	$	1,052,160
2023-2027	$	5,284,304

SFPBS 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 that were previously employed by WPBT 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. SFPBS 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. SFPBS made matching contributions of approximately $ 33,600 to the Plan during the year ended June 30, 2017. This plan was terminated subsequent to June 30, 2017.

SFPBS sponsors a salary reduction contribution plan pursuant to Section 403(b) of the Internal Revenue Code, covering substantially all employees that were previously employed by WXEL. The Plan allows the participant to make pre-tax contributions up to defined statutory limits. SFPBS 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, 2017 was approximately $ 25,600. This plan was frozen subsequent to June 30, 2017.

In July of 2017 SFPBS initiated the sponsorship of 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. SFPBS may, at its discretion, make a matching contribution based on a percentage of the participant's Plan contributions.

Note 17 - Income Taxes

SFPBS 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, 2017. At June 30, 2017, Comtel had a deferred tax asset of approximately $ 819,900 primarily related to net operating loss carryforwards of approximately $ 2,178,800 expiring through the year 2036. The deferred tax asset has been offset in full by a valuation allowance at June 30, 2017 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

SFPBS and Comtel previously entered into employment agreements with a former officer (the SFPBS Agreement and the Comtel Agreement). SFPBS 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, SFPBS has purchased a life insurance policy for the officer for which SFPBS is only entitled to receive an amount equal to the premiums paid. As of June 30, 2017, 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 $ 438,400 at June 30, 2017. 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 - Donated Facilities

A portion of SFPBS 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 SFPBS'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 SFPBS 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, 2017, is approximately $ 508,300, 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, SFPBS entered into an initial 15 year capital lease for space on the tower.

Total rent expense for all operating leases amounted to approximately $ 334,100 for the year ended June 30, 2017.

The capital leases are collateralized by property with a net book value of $ 740,553, net of accumulated depreciation of $ 613,065. Depreciation on these capital leases is included in production, acquisition and delivery expense.

Approximate future minimum lease payments at June 30, 2017:

Years Ending June 30,	Capital Leases	Operating Leases
2018	$ 222,800	$ 224,400
2019	161,400	104,300
2020	158,100	44,700
2021	149,300	700
2022	153,800	-
Thereafter	1,086,400	-
	1,931,800	$ 374,100
Less interest	(1,202,300)	
	$ 729,500	

Note 21 - Joint Master Control

SFPBS 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; SFPBS's share was $ 70,707. During the year ended June 30, 2017, SFPBS expended approximately $ 74,400 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 $ 56,600 at June 30, 2017 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. SFPBS incurred approximately $ 276,600 for the year ended June 30, 2017. Member stations are required to continue their participation in the DCA for ten years in order to avoid penalty (at CPB's discretion, penalty of 10% of the grant amount during the first five years and 5% of the grant amount during the second five years).

Note 22 - Spectrum Auction Proceeds

In the second half of 2016, the Federal Communications Commission (FCC) held an auction to free up spectrum to satisfy the growing demand for wireless services. Licensees of public TV stations were offered an opportunity to auction off their spectrum to the FCC, who in turn sold it to wireless providers. Spectrum is the range of frequencies used to transmit sound, data and video, TVs, radios, cellphones, computers, garage door openers, medical equipment and wireless microphones, among other devices - all use spectrum. Due to the fact that when WPBT combined resources with WXEL to create SFPBS, there was an overlap in signal reach, SFPBS entered a bid to the FCC to participate in the auction. The bid was accepted and on April 13, 2017, SFPBS (WPBT2 and WXEL) announced the sale of part of its broadcast spectrum (6 Megahertz/MHz) to the FCC in a one-time transaction. South Florida PBS received approximately $ 4,700,000 from the spectrum auction, and this amount is reported net of related expenses in the consolidated statement of activities. SFPBS will continue to provide its broadcast services, although its broadcast service area may slightly change. WPBT2 and WXEL will continue to broadcast on separate channels. The auction was for capacity and not station license. Auction proceeds will be used to strengthen SFPBS's education mission and excellence in public broadcasting programming.

SUPPLEMENTAL INFORMATION

South Florida PBS, Inc. and Affiliates
Supplementary Consolidating Schedule of Financial Position
June 30, 2017

	South Florida PBS, Inc.	WCFI	Comtel	Eliminating Entries	Consolidated Totals
Assets:					
Current assets:					
Cash and cash equivalents	$ 563,886	$ 1,758,165	$ 566	$ -	$ 2,322,617
Receivables, net of allowance for doubtful accounts	5,089,883	116,451	366,433	-	5,572,767
Prepaid expenses and other assets	759,587	20,288	14,211	-	794,086
Program broadcast rights, net of amortization	1,084,904	-	-	-	1,084,904
Current portion of note receivable	275,134	-	-	-	275,134
Due from affiliate	2,162,201	-	-	(2,162,201)	-
Total current assets	9,935,595	1,894,904	381,210	(2,162,201)	10,049,508
Other assets	84,298	-	-	-	84,298
Investments	-	11,494,493	-	(465,000)	11,029,493
Cash surrender value and premiums receivable on life insurance policies	367,605	-	438,372	-	805,977
Program broadcast rights, net of amortization and current portion	487,692	-	-	-	487,692
Property and equipment, net	8,498,313	-	-	-	8,498,313
FCC broadcast license	1,705,900	-	-	-	1,705,900
Due from affiliates - non current	-	292,411	-	(292,411)	-
Note receivable from affiliate	-	4,930,815	-	(4,930,815)	-
Total assets	$ 21,079,403	$ 18,612,623	$ 819,582	$ (7,850,427)	$ 32,661,181
Liabilities and Net Assets:					
Current liabilities:					
Accounts payable	$ 5,300,973	$ -	$ 72,240	$ -	$ 5,373,213
Accrued expenses	640,598	-	-	-	640,598
Pension liability	453,322	-	-	-	453,322
Refundable program advances	726,000	-	-	-	726,000
Program broadcast rights payable	5,805	-	-	-	5,805
Present value of annuity obligations	-	91,678	-	-	91,678
Line of credit	1,500,000	-	-	-	1,500,000
Capital lease payable	82,701	-	-	-	82,701
Due to affiliates	-	-	2,162,201	(2,162,201)	-
Total current liabilities	8,709,399	91,678	2,234,441	(2,162,201)	8,873,317
Deferred compensation payable	-	-	80,071	-	80,071
Deferred revenue	889,746	-	-	-	889,746
Present value of annuity obligations	-	1,217,099	-	-	1,217,099
Pension liability, due beyond one year	4,451,676	-	-	-	4,451,676
Due to affiliate, note payable	4,930,815	-	-	(4,930,815)	-
Due to affiliate	292,411	-	-	(292,411)	-
Note payable	759,191	-	-	-	759,191
Capital lease payable, due beyond one year	647,099	-	-	-	647,099
Total liabilities	20,680,337	1,308,777	2,314,512	(7,385,427)	16,918,199
Net assets:					
Unrestricted:					
Board designated	-	6,916,704	-	-	6,916,704
Undesignated (deficit)	359,066	-	(1,959,930)	-	(1,600,864)
Common stock	-	-	5,000	(5,000)	-
Paid in capital	-	-	460,000	(460,000)	-
Temporarily restricted	40,000	3,611,850	-	-	3,651,850
Permanently restricted	-	6,775,292	-	-	6,775,292
Total net assets	399,066	17,303,846	(1,494,930)	(465,000)	15,742,982
Total liabilities and net assets	$ 21,079,403	$ 18,612,623	$ 819,582	$ (7,850,427)	$ 32,661,181

South Florida PBS, Inc. and Affiliates
Supplementary Consolidating Schedule of Activities
For the Year Ended June 30, 2017

	South Florida PBS, Inc.	WCFI	Comtel	Eliminating Entries	Consolidated Totals
Change in Unrestricted Net Assets:					
Revenues, gains (losses) and other support:					
Contract productions	$ 1,217,185	$ -	$ 1,374,027	$ -	$ 2,591,212
Contributions and bequests	8,229,398	19,039	-	(1,482,919)	6,765,518
Satisfaction of program restrictions	10,000	1,060,245	-	-	1,070,245
Corporation for Public Broadcasting:					
Community service grant	2,004,673	-	-	-	2,004,673
Transition grant	228,459	-	-	-	228,459
State of Florida Department of Education:					
Community service grant	614,889	-	-	-	614,889
Program underwriting	1,556,216	-	-	-	1,556,216
Interest income	36,808	266,231	14,361	(113,597)	203,803
Other	1,960,406	-	-	(1,238,027)	722,379
Net realized gain (loss) on sale of investments	(1,313)	1,011,185	-	-	1,009,872
Net unrealized gain (loss) on investments	-	(80,331)	-	-	(80,331)
Total revenues, gains (losses) and other support	15,856,721	2,276,369	1,388,388	(2,834,543)	16,686,935
Operating Expenses:					
Program production, acquisition and delivery	11,616,735	-	1,834,215	(1,197,767)	12,253,183
Development and marketing	2,934,821	678,322	-	-	3,613,143
General and administrative	3,638,061	76,920	126,325	(40,260)	3,801,046
Interest expense	593,566	3,917	3,902	(113,597)	487,788
Contribution to affiliate	-	1,482,919	-	(1,482,919)	-
Total operating expenses	18,783,183	2,242,078	1,964,442	(2,834,543)	20,155,160
Change in unrestricted net assets	(2,926,462)	34,291	(576,054)	-	(3,468,225)
Change in Temporarily Restricted Net Assets:					
Interest income	-	129,456	-	-	129,456
Net unrealized loss on investments	-	(10,673)	-	-	(10,673)
Change in present value of annuity obligations	-	17,095	-	-	17,095
Net assets released from restrictions	(10,000)	(1,060,245)	-	-	(1,070,245)
Net realized gain on sale of investments	-	521,615	-	-	521,615
Change in temporarily restricted net assets	(10,000)	(402,752)	-	-	(412,752)
Change in net assets before other item	(2,936,462)	(368,461)	(576,054)	-	(3,880,977)
Other item:					
Spectrum auction proceeds, net of related expenses	4,196,299	-	-	-	4,196,299
Change in net assets	1,259,837	(368,461)	(576,054)	-	315,322
Pension Liability Adjustment	1,195,689	-	-	-	1,195,689
Net Assets, beginning of year	(2,056,460)	17,672,307	(1,383,876)	-	14,231,971
Net Assets, end of year	$ 399,066	$ 17,303,846	$ (1,959,930)	$ -	$ 15,742,982

South Florida PBS, Inc. and Affiliates
Supplementary Consolidating Schedule of Cash Flows
For the Year Ended June 30, 2017

	South Florida PBS, Inc.	WCFI	Comtel	Eliminating Entries	Consolidated Totals
Operating Activities:					
Cash received from supporters and customers	$ 15,665,822	$ 47,743	$ 1,346,848	$ (2,720,946)	$ 14,339,467
Interest received	36,808	395,687	14,361	(113,597)	333,259
Interest paid	(550,593)	(3,917)	(3,902)	113,597	(444,815)
Cash paid for support services, to suppliers and employees	(16,432,563)	(2,863,302)	(1,367,999)	2,720,946	(17,942,918)
Net cash used in operating activities	(1,280,526)	(2,423,789)	(10,692)	-	(3,715,007)
Investing Activities:					
Cash received from sales or maturities of investments	78,535	3,806,006	-	-	3,884,541
Cash paid for property and equipment	(50,855)	-	-	-	(50,855)
Cash paid for investments	-	(878,984)	-	-	(878,984)
Repayments from affiliate	-	628,914	-	(628,914)	-
Repayments from third parties	256,535	-	-	-	256,535
Loans to affiliates	-	(994,463)	-	994,463	-
Net cash provided by investing activities	284,215	2,561,473	-	365,549	3,211,237
Financing Activities:					
Repayment of borrowings from financial institution	(129,257)	(712,490)	-	-	(841,747)
Borrowings from affiliate	994,463	-	-	(994,463)	-
Repayments of borrowings from affiliate	(628,914)	-	-	628,914	-
Net cash provided by (used in) financing activities	236,292	(712,490)	-	(365,549)	(841,747)
Net decrease in cash and cash equivalents	(760,019)	(574,806)	(10,692)	-	(1,345,517)
Cash and Cash Equivalents, beginning of year	1,323,905	2,332,971	11,258	-	3,668,134
Cash and Cash Equivalents, end of year	$ 563,886	$ 1,758,165	$ 566	$ -	$ 2,322,617

South Florida PBS, Inc. and Affiliates
Supplementary Consolidating Schedule of Cash Flows (continued)
For the Year Ended June 30, 2017

	South Florida PBS, Inc.	WCFI	Comtel	Eliminating Entries	Consolidated Totals
Reconciliation of Change in Net Assets to Net Cash Used in Operating Activities:					
Change in net assets	$ 1,259,837	$ (368,461)	$ (576,054)	$ -	$ 315,322
Adjustments:					
Amortization of program rights	2,482,260	-	-	-	2,482,260
Provision for depreciation	904,727	-	-	-	904,727
Net unrealized loss on investments	-	91,004	-	-	91,004
Change in present value of annuity obligation	-	(24,381)	-	-	(24,381)
Accretion of discount on investments	-	38,110	-	-	38,110
Net realized (gain) loss on sale of investments	1,313	(1,532,800)	-	-	(1,531,487)
Contributed stock	(79,848)	-	-	-	(79,848)
Bad debt expense	19,456	-	-	-	19,456
Changes in assets and liabilities:					
Receivables	(4,476,668)	11,609	(27,179)	-	(4,492,238)
Prepaid expenses and other assets	(353,848)	8,334	(2,071)	-	(347,585)
Program broadcast rights	(2,504,965)	-	-	-	(2,504,965)
Cash surrender value on life insurance policies over deferred compensation payable	-	-	(14,361)	-	(14,361)
Accounts payable, accrued expenses and pension liability	1,158,962	(68)	(18,612)	-	1,140,282
Refundable program advances	108,714	-	-	-	108,714
Program broadcast rights payable	(34,830)	-	-	-	(34,830)
Deferred revenue	214,813	-	-	-	214,813
Due to affiliate	(1,407,124)	(594,373)	627,585	1,373,912	-
Due from affiliate	1,426,675	(52,763)	-	(1,373,912)	-
Net cash (used in) provided by operating activities	$ (1,280,526)	$ (2,423,789)	$ (10,692)	$ -	$ (3,715,007)

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, 2017, 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 October 31, 2017.

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

KEEFE McCULLOUGH

Fort Lauderdale, Florida
October 31, 2017