

**COMMUNITY TELEVISION FOUNDATION  
OF SOUTH FLORIDA, INC.  
AND AFFILIATES**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION**

June 30, 2011 and 2010

COMMUNITY TELEVISION FOUNDATION  
OF SOUTH FLORIDA, INC.  
AND AFFILIATES  
CONSOLIDATED FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION  
June 30, 2011 and 2010

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# FINANCIAL STATEMENTS



## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated statements of financial position of Community Television Foundation of South Florida, Inc. and Affiliates (the "Foundation") as of June 30, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Foundation as of June 30, 2011 and 2010, and the consolidated changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2011 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
October 10, 2011

**COMMUNITY TELEVISION FOUNDATION  
OF SOUTH FLORIDA, INC. AND AFFILIATES  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
June 30, 2011 and 2010**

A S S E T S

	2011	2010
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 1,474,733	\$ 1,098,518
Receivables, net of allowance for doubtful accounts of \$ 9,137 and \$ 8,094 in 2011 and 2010, respectively	329,762	985,191
Prepaid expenses and other assets	211,100	295,259
Program broadcast rights, net of amortization	901,231	958,506
Total current assets	2,916,826	3,337,474
Pledges receivable, net	-	48,913
Other assets	50,148	49,301
Investments	21,192,781	15,437,611
Cash surrender value and premiums receivable on life insurance policies	876,743	888,605
Program broadcast rights, net of amortization, noncurrent portion	420,886	476,695
Property and equipment, net	9,497,103	9,983,871
Total assets	\$ 34,954,487	\$ 30,222,470

L I A B I L I T I E S   A N D   N E T   A S S E T S

<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable	\$ 331,646	\$ 663,734
Accrued expenses	549,951	825,712
Current portion of pension liability	752,195	743,720
Refundable program advances	327,587	265,312
Program broadcast rights payable	32,890	61,104
Present value of annuity obligations	169,631	168,821
Line of credit	150,000	1,500,000
Total current liabilities	2,313,900	4,228,403
Borrowings with financial institution	3,451,669	1,709,896
Deferred compensation payable	254,764	280,023
Present value of annuity obligations	1,565,773	1,603,684
Pension liability, due beyond one year	2,060,768	2,801,384
Total liabilities	9,646,874	10,623,390
<b>NET ASSETS:</b>		
Unrestricted:		
Board designated	10,502,898	8,461,620
Undesignated	3,858,527	876,708
Temporarily restricted	4,170,896	3,555,475
Permanently restricted	6,775,292	6,705,277
Total net assets	25,307,613	19,599,080
Total liabilities and net assets	\$ 34,954,487	\$ 30,222,470

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

**COMMUNITY TELEVISION FOUNDATION  
OF SOUTH FLORIDA, INC. AND AFFILIATES  
CONSOLIDATED STATEMENTS OF ACTIVITIES  
For the Years Ended June 30, 2011 and 2010**

	2011	2010
<b>CHANGE IN UNRESTRICTED NET ASSETS:</b>		
Revenues, gains (losses) and other support:		
Contract productions	\$ 1,976,745	\$ 8,809,410
Contributions and bequests	4,535,437	4,755,239
Satisfaction of program restrictions	252,003	334,224
Corporation for Public Broadcasting:		
Community Service Grant	2,056,670	1,725,164
Capital and Other Federal Grants	354,321	166,188
State of Florida Department of Education:		
Community Service Grant	434,837	434,837
Capital Grants	132,346	24,035
Program underwriting	1,064,476	1,014,411
Interest income	362,707	614,848
Other	159,786	202,745
Net realized gain on sale of investments and equipment	12,882	23,233
Net unrealized gain (loss) on investments	2,586,205	1,262,103
Total revenues, gains (losses) and other support	13,928,415	19,366,437
Expenses:		
Program production, acquisition and delivery	9,476,585	15,639,607
Development and marketing	3,062,955	3,378,361
General and administrative	1,767,699	1,712,080
Interest expense	63,640	189,012
Total expenses	14,370,879	20,919,060
Change in unrestricted net assets from continuing operations	(442,464)	(1,552,623)
Discontinued operations (Note 18):		
Loss from operations of discontinued program	(11,904)	-
Gain on disposal of program	5,004,040	-
Change in unrestricted net assets from discontinued operations	4,992,136	-
Change in unrestricted net assets	4,549,672	(1,552,623)
<b>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS:</b>		
Contributions and bequests	42,000	325,488
Interest income	139,737	129,761
Net unrealized gain on investments	654,845	314,399
Change in present value of annuity obligations	25,661	869
Net assets released from restrictions	(252,003)	(334,224)
Net realized gain on sale of investments	5,181	-
Change in temporarily restricted net assets	615,421	436,293
<b>CHANGE IN PERMANENTLY RESTRICTED NET ASSETS:</b>		
Contributions and bequests	70,015	-
Change in permanently restricted net assets	70,015	-
Change in net assets	5,235,108	(1,116,330)
<b>PENSION LIABILITY ADJUSTMENT</b>	473,425	(300,462)
Change in net assets	5,708,533	(1,416,792)
<b>NET ASSETS, beginning of year</b>	19,599,080	21,015,872
<b>NET ASSETS, end of year</b>	\$ 25,307,613	\$ 19,599,080

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

**COMMUNITY TELEVISION FOUNDATION  
OF SOUTH FLORIDA, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>OPERATING ACTIVITIES:</b>		
Cash received from supporters and customers	\$ 12,026,305	\$ 18,266,552
Interest received	429,040	750,782
Interest paid	(52,899)	(177,282)
Cash paid to acquire programs	(2,164,245)	(2,334,056)
Cash paid for support services, to suppliers and employers	<u>(11,849,021)</u>	<u>(18,653,612)</u>
Net cash provided by (used in) operating activities	<u>(1,610,820)</u>	<u>(2,147,616)</u>
<b>INVESTING ACTIVITIES:</b>		
Net proceeds from disposal of discontinued operations	5,004,040	-
Cash received from sales or maturities of investments	2,599,110	15,607,740
Cash paid for property and equipment	(860,953)	(896,132)
Cash paid for investments	<u>(5,146,935)</u>	<u>(7,173,196)</u>
Net cash provided by (used in) investing activities	<u>1,595,262</u>	<u>7,538,412</u>
<b>FINANCING ACTIVITIES:</b>		
Borrowings from financial institution	1,900,000	1,500,000
Repayment of borrowings from financial institution	<u>(1,508,227)</u>	<u>(7,020,104)</u>
Net cash provided by (used in) financing activities	<u>391,773</u>	<u>(5,520,104)</u>
Net change in cash and cash equivalents	376,215	(129,308)
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,098,518</u>	<u>1,227,826</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,474,733</u>	<u>\$ 1,098,518</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 5,235,108	\$ (1,116,330)
Adjustments:		
Net proceeds from disposal of discontinued operations	(5,004,040)	-
Amortization of program rights	2,249,116	2,319,583
Provision for depreciation	1,347,674	1,611,924
Net unrealized gain on investments	(3,241,050)	(1,576,502)
Change in present value of annuity obligation	(37,101)	(20,745)
Accretion of discount on investments	51,815	159
In-kind and barter revenue and expense, net	(2,980)	(10,605)
Net realized gain on sale of investments and equipment	(18,063)	(23,233)
Program acquisitions	(2,164,245)	(2,334,056)
Changes in assets and liabilities:		
Receivables	756,236	103,558
Prepaid expenses and other assets	34,397	39,561
Cash surrender value and premiums receivable on life insurance policies	(13,397)	(14,122)
Accounts payable, accrued expenses and pension liability	(866,566)	(897,219)
Refundable program advances	<u>62,276</u>	<u>(229,589)</u>
Net cash used in operating activities	<u>\$ (1,610,820)</u>	<u>\$ (2,147,616)</u>

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

COMMUNITY TELEVISION FOUNDATION  
OF SOUTH FLORIDA, INC. AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2011 and 2010

NOTE 1 - ORGANIZATION AND OPERATIONS

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation:

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

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

Basis of presentation:

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

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

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

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

Program broadcast rights:

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

COMMUNITY TELEVISION FOUNDATION  
OF SOUTH FLORIDA, INC. AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2011 and 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment:

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

Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Without donor stipulations regarding how long these donated assets must be maintained, CTF reports expirations of donor restrictions when the donated assets are placed in service, reclassifying temporarily restricted net assets to unrestricted net assets at that time. For the year ended June 30, 2011 and 2010, CTF did not receive any donated property and equipment.

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 United States government securities, mortgage backed securities, debt instruments with high credit quality institutions and marketable equity securities. CTF, by policy, limits the amount of credit exposure to any one counter party.

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

Cash and cash equivalents:

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

Contract production and program underwriting:

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

COMMUNITY TELEVISION FOUNDATION  
OF SOUTH FLORIDA, INC. AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2011 and 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions:

Unconditional contributions, including unconditional promises to give are reported as increases in either unrestricted, temporarily restricted or permanently restricted net assets. Other contributions are reported as increases in the appropriate category of net assets, except for those contributions subject to donor-imposed restrictions that are met in the same fiscal year they are received, which are included in unrestricted revenues. Expenses are reported as decreases in unrestricted net assets. Both realized and unrealized gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of donor-imposed restrictions that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes of net assets as net assets released from restrictions and satisfaction of program restrictions in the consolidated statements of activities. Conditional promises to give are recognized when the conditions on which they depend are substantially met. CTF had no conditional promises to give as of June 30, 2011 and 2010.

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

In-kind contributions:

In-kind contributions are recorded as revenue and expense in the accompanying consolidated statement of activities. These contributions consist of donated professional services, which are recorded at estimated fair value. The amount of in-kind contributions recognized as revenue and expenses was approximately \$ 34,000 during the years ended June 30, 2011 and 2010, respectively.

Barter agreements:

CTF enters into certain barter arrangements whereby CTF receives marketing and advertising services in exchange for on-air credits and acknowledgments. Barter revenue is recognized when the on-air credits and acknowledgments are broadcast, and barter costs when the services are received or used. The amount of barter revenue recognized during the years ended June 30, 2011 and 2010 approximated \$ 99,300 and \$ 129,000, respectively. The amount of barter expense recognized during the years ended June 30, 2011 and 2010 approximated \$ 96,300 and \$ 119,000 respectively.

Estimates and assumptions:

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

COMMUNITY TELEVISION FOUNDATION  
OF SOUTH FLORIDA, INC. AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2011 and 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fundraising appeals:

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

Reclassifications:

Certain prior year amounts have been reclassified to be consistent and comparable with the current year financial statement presentation (Note 3).

Date of management review:

Subsequent events have been evaluated through October 10, 2011, which is the date the financial statements were available to be issued.

NOTE 3 - NET ASSETS

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

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

The net unrestricted assets of the quasi-endowment amounted to \$ 10,502,898 at June 30, 2011 and \$ 8,461,620 at June 30, 2010, and are classified as Board designated in the accompanying consolidated statements of financial position. CTF elected to withdraw from the quasi-endowment fund, \$ 462,470 and \$ 3,094,950, as provided under the endowment's terms, for the years ended June 30, 2011 and 2010, respectively.

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. The 2010 temporarily restricted net assets have been reclassified to properly reflect certain donor imposed temporary restrictions. As a result of this reclassification, the *Consolidated Statements of Financial Position* reports an adjustment to the 2010 temporarily restricted net assets of (\$ 1,154,966) and a corresponding increase to the unrestricted net assets in the same amount (Note 2). In 2011 and 2010, CTF used approximately \$ 80,974 and \$ 116,750 for the purchase of the designated types of programs from the two funds established for specific types of programs.

COMMUNITY TELEVISION FOUNDATION  
OF SOUTH FLORIDA, INC. AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2011 and 2010

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. CTF received approximately \$ 302,000 and \$ 259,600 during the years ended June 30, 2011 and 2010, respectively, from the earnings of the true endowment for specific programming purposes. Additionally, CTF received approximately \$ 78,600 and \$ 128,500 during the years ended June 30, 2011 and 2010, respectively, from the earnings of the Vernon Julianne Trust.

NOTE 4 - INVESTMENTS

Investments at June 30, 2011 and 2010, consist of the following:

	<u>2011</u>	<u>2010</u>
<b>Unrestricted investments:</b>		
Equity funds and corporate and foreign bonds pledged as collateral in connection with the borrowing with financial institution (Note 9)	\$ 6,076,908	\$ 3,419,791
Equity funds	1,529,807	746,584
Corporate and foreign bonds	<u>907,564</u>	<u>487,185</u>
Total unrestricted investments	<u>8,514,279</u>	<u>4,653,560</u>
<b>Restricted investments:</b>		
Investment of endowment funds in equity funds	5,116,195	3,876,693
Investments of endowment funds in corporate bonds, mortgage-backed securities from the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association and certificates of deposit	2,106,610	2,091,957
Investments of gifts of future interest in equity funds	2,772,478	2,161,099
Investment of gifts of future interest in mortgage-backed securities from the Federal National Mortgage Association, corporate interest bearing securities and certificates of deposits	<u>2,683,219</u>	<u>2,654,302</u>
Total restricted investments	<u>12,678,502</u>	<u>10,784,051</u>
Total investments	\$ <u><u>21,192,781</u></u>	\$ <u><u>15,437,611</u></u>

**COMMUNITY TELEVISION FOUNDATION  
OF SOUTH FLORIDA, INC. AND AFFILIATES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2011 and 2010

**NOTE 5 - FAIR VALUE MEASUREMENT**

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

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

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

The following table represents the investments, as held by WCFI at June 30, 2011 and 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total 2011</u>
ASSET CLASS:				
Equities and equity funds	\$ 13,429,314	\$ -	\$ -	\$ 13,429,314
Corporate bonds	-	6,070,761	-	6,070,761
Certificates of deposit	-	999,758	-	999,758
U.S. agency obligations	-	692,948	-	692,948
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total	<u>\$ 13,429,314</u>	<u>\$ 7,763,467</u>	<u>\$ -</u>	<u>\$ 21,192,781</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total 2010</u>
ASSET CLASS:				
Equities and equity funds	\$ 10,204,168	\$ -	\$ -	\$ 10,204,168
Corporate bonds	-	949,147	-	949,147
Certificates of deposit	-	2,016,104	-	2,016,104
U.S. agency obligations	-	2,268,192	-	2,268,192
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total	<u>\$ 10,204,168</u>	<u>\$ 5,233,443</u>	<u>\$ -</u>	<u>\$ 15,437,611</u>

For the years ended June 30, 2011 and 2010, there were no transfers between Level 1, 2 and 3. The Foundation's policy is to recognize transfers in and out as of the actual date of the event or change in circumstances that caused the transfer.

COMMUNITY TELEVISION FOUNDATION  
OF SOUTH FLORIDA, INC. AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2011 and 2010

NOTE 6 – ENDOWMENTS

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

Interpretation of relevant law:

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

Investment policies:

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

Spending policies:

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

Fund deficiency:

At June 30, 2011, the fair value of invested assets assigned to individual donor restricted endowment net asset balances was sufficient to cover the balances required to be maintained in perpetuity. Subsequent to year end at September 30, 2011, the endowment net asset balances had a deficiency of \$ 343,426.

At June 30, 2010, the fair value of invested assets assigned to individual donor restricted endowment net asset balances required to be maintained in perpetuity had a deficiency of \$ 707,886.

Endowment net asset composition by type of fund as of June 30, 2011 and 2010 is as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>2011 Total</u>
Donor-restricted endowment funds	\$ -	\$ 6,775,292	\$ 6,775,292
Board-designated endowment funds (1)	<u>11,131,593</u>	<u>-</u>	<u>11,131,593</u>
Total funds	<u>\$ 11,131,593</u>	<u>\$ 6,775,292</u>	<u>\$ 17,906,885</u>

COMMUNITY TELEVISION FOUNDATION  
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NOTE 6 – ENDOWMENTS (continued)

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>2010 Total</u>
Donor-restricted endowment funds	\$ (707,886)	\$ 6,705,277	\$ 5,997,391
Board-designated endowment funds (1)	<u>9,663,730</u>	<u>-</u>	<u>9,663,730</u>
Total funds	<u>\$ 8,955,844</u>	<u>\$ 6,705,277</u>	<u>\$ 15,661,121</u>

- (1) WCFI acknowledges that the Board-designated endowment funds were not entirely available to fulfill the Board's intended designation at the year end.

Changes in endowment net assets for the fiscal year ended June 30, 2011 and 2010 are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>2011 Total</u>
Endowment net assets, at beginning of year	\$ 8,955,844	\$ 6,705,277	\$ 15,661,121
Investment income	361,793	-	361,793
Net appreciation (realized and unrealized)	2,615,441	-	2,615,441
Contributions	722,183	70,015	792,198
Satisfaction of program restrictions	252,003	-	252,003
Appropriation of endowment assets for expenditure	<u>(1,775,671)</u>	<u>-</u>	<u>(1,775,671)</u>
Endowment net assets, at end of year	<u>\$ 11,131,593</u>	<u>\$ 6,775,292</u>	<u>\$ 17,906,885</u>

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>2010 Total</u>
Endowment net assets, at beginning of year	\$ 10,233,616	\$ 6,705,277	\$ 16,938,893
Investment income	732,485	-	732,485
Net appreciation (realized and unrealized)	1,258,893	-	1,258,893
Contributions	900,398	-	900,398
Satisfaction of program restrictions	334,224	-	334,224
Appropriation of endowment assets for expenditure	<u>(4,503,772)</u>	<u>-</u>	<u>(4,503,772)</u>
Endowment net assets, at end of year	<u>\$ 8,955,844</u>	<u>\$ 6,705,277</u>	<u>\$ 15,661,121</u>

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NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>	<u>Estimated Useful Lives in Years</u>
Engineering and production equipment	\$ 23,869,374	\$ 26,216,869	7
Computer, office furniture and equipment	6,727,621	7,784,171	5-7
Building and improvements	7,347,746	7,299,272	15-30
Transmitter, tower and antenna	6,247,845	6,166,288	15-30
Vehicles	43,006	43,537	3
	<u>44,235,592</u>	<u>47,510,137</u>	
Less accumulated depreciation	<u>35,944,293</u>	<u>38,732,070</u>	
	8,291,299	8,778,067	
Land	<u>1,205,804</u>	<u>1,205,804</u>	
	<u>\$ 9,497,103</u>	<u>\$ 9,983,871</u>	

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

	<u>2011</u>	<u>2010</u>
Program production, acquisition and delivery	\$ 1,333,189	\$ 1,596,909
General and administrative	3,372	3,626
Development and marketing	11,113	11,389
	<u>\$ 1,347,674</u>	<u>\$ 1,611,924</u>

NOTE 8 - PLEDGES RECEIVABLE

Outstanding pledges receivable from various organizations and individuals are as follows as of June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Pledges due:		
In less than one year	\$ -	\$ -
In one to five years	-	56,400
	<u>-</u>	<u>56,400</u>
Less discount on pledges due beyond one year	-	7,487
	<u>-</u>	<u>7,487</u>
	<u>\$ -</u>	<u>\$ 48,913</u>

**COMMUNITY TELEVISION FOUNDATION  
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NOTE 8 - PLEDGES RECEIVABLE (continued)

	2011	2010
Pledges due in one year included in prepaid expenses and other assets	\$ -	\$ -
Pledges receivable, noncurrent	-	48,913
	\$ -	\$ 48,913

There are no allowances for uncollectible pledges receivable for the years ended June 30, 2011 and 2010.

NOTE 9 - BORROWINGS WITH FINANCIAL INSTITUTION

WCFI entered into an agreement with an investment company to borrow against investment holdings. The loan balances at June 30, 2011 and 2010 were \$ 2,005,417 and \$ 1,709,896, respectively, with interest at 0.5% below the broker-call rate (1.5% at June 30, 2011). The loan is collateralized by investments, with a fair value of \$ 4,010,834 and \$ 3,419,791 at June 30, 2011 and 2010.

Interest paid, for the years ended June 30, 2011 and 2010 was approximately \$ 30,745 and \$ 147,400, respectively.

In 2011, CTF also entered into an agreement with its investment company to borrow against investment holdings. The loan balance at June 30, 2011 was \$ 1,446,252, with interest at 0.5% below broker-call rate (1.5% at June 30, 2011).

Interest paid for the year was \$ 8,997. The loan is collateralized by investments with a fair value of \$ 2,066,074 at June 30, 2011.

NOTE 10 - COMMUNITY SERVICE AND OTHER GRANTS

The Corporation for Public Broadcasting (CPB) is a private, nonprofit grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public telecommunications entities. CSGs are used to augment the financial resources of public broadcasting stations and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two Federal fiscal years as described in the Communications Act, 47 United States of America Code Annotated Section 396(k)(7), (1983) Supplement. In any event, each grant must be expended within two years of the initial grant authorization date.

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

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

**COMMUNITY TELEVISION FOUNDATION  
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**NOTE 10 – COMMUNITY SERVICE AND OTHER GRANTS (continued)**

The State of Florida Department of Education also distributes annual Community Service Grants to public telecommunications entities in the state. CTF received \$ 434,837 for both years ended June 30, 2011 and 2010.

**NOTE 11 – LINE OF CREDIT**

CTF has a line of credit of \$ 1,500,000, which provides for interest on outstanding borrowings at the prevailing prime rate (3.25% at both June 30, 2011 and 2010). The line of credit matures on January 31, 2012, and is subject to renewal on an annual basis. At June 30, 2011 and 2010 the outstanding balance was \$ 150,000 and \$ 1,500,000, respectively. The lender holds a security interest in certain cash deposits and investments maintained with them and the balance is guaranteed by WCFI.

**NOTE 12 – SPLIT INTEREST AGREEMENTS**

The Foundation accepts gifts subject to split interest agreements. A split interest agreement is created when a donor contributes assets to the Foundation or places them in a trust for the benefit of the Foundation, but the Foundation is not the sole beneficiary of the assets economic value. These gifts are in the form of charitable gift annuities or charitable remainder annuity trusts which provide that the Foundation, as trustee, make payments to designated beneficiaries in accordance with the applicable donor's trust or contractual agreement. At the time of agreement, gifts are recorded at the fair market value of the asset received net of any applicable liability. Liabilities include the present value of projected future distributions to the annuity or trust beneficiaries and are determined using the Internal Revenue Service rate for computing charitable deductions for such gifts in effect at the time of the gift. The present value of the estimated future payments is \$ 1,735,404 and \$ 1,772,505 at June 30, 2011 and 2010, respectively, using discount rates ranging from 2.9% to 17.9% and applicable mortality tables. On an annual basis, the Foundation reevaluates the amount of estimated future payments. As of June 30, 2011 and 2010, the Foundation reported a change in value of split-interest agreements of \$ (37,101) and \$ (20,745), respectively. Split interest agreements are recorded as temporarily restricted or permanently restricted depending on donor imposed stipulations. The Foundation holds qualifying assets in excess of the minimum gift annuity reserves required by Florida law. The reserve amount is calculated following assumptions set forth by Florida Statute in Section 627.481(2)(a)1.b.

**NOTE 13 - PROGRAM PRODUCTION, ACQUISITION AND DELIVERY**

Program production, acquisition and delivery expenses for the years ended June 30, 2011 and 2010, included the following:

	<u>2011</u>	<u>2010</u>
Business news programming	\$ -	\$ 6,300,071
Broadcasting and delivery	3,126,748	3,462,024
Acquired programming	3,366,314	3,429,451
Other program production	2,784,800	2,302,283
Commercial production	<u>198,723</u>	<u>145,778</u>
Total program production, acquisition and delivery	<u>\$ 9,476,585</u>	<u>\$ 15,639,607</u>

COMMUNITY TELEVISION FOUNDATION  
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NOTE 14 - EMPLOYEE BENEFIT PLANS

CTF sponsored a noncontributory defined benefit pension plan (the Plan) that covered substantially all of its employees. The Plan was amended effective March 30, 2006 to provide that there will be no further benefits after that date. Benefits previously accrued under the Plan will be preserved, but no additional increases in accrued benefits will occur after that date. Benefits are based on an employee's years of service and earnings during the ten years ending March 30, 2006. In accordance with its present annual funding policy, CTF contributes the minimum amount required by regulations of the Employee Retirement Income Security Act. For the years ending June 30, 2011 and 2010, CTF contributed \$ 674,540 and \$ 637,408, respectively. CTF expects to contribute a minimum of \$ 752,195 to the Plan in 2011-12.

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

The following table displays the funding status of the Plan:

	<u>2011</u>	<u>2010</u>
Fair value of Plan assets	\$ 11,889,599	\$ 9,543,474
Accumulated benefit obligation	<u>(14,702,562)</u>	<u>(13,088,578)</u>
Unfunded liability	<u>\$ (2,812,963)</u>	<u>\$ (3,545,104)</u>

There were benefits of \$ 542,830 and \$ 447,347 paid during the years ended June 30, 2011 and 2010, respectively. Further, CTF recorded a pension expense of \$ 415,824 and \$ 114,169 in 2011 and 2010.

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

	<u>2011</u>	<u>2010</u>
Equity securities	60%	60%
Debt securities	40%	40%

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

COMMUNITY TELEVISION FOUNDATION  
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NOTE 14 - EMPLOYEE BENEFIT PLANS (continued)

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

	<u>2011</u>	<u>2010</u>
Weighted-average assumptions:		
Discount rate to determine benefit obligation	6.0%	6.5%
Discount rate to determine net periodic pension costs	6.5%	7.0%
Expected rate of return on Plan assets	8.0%	8.0%
Mortality table	2000	2000
	Combined Healthy Mortality Table	Combined Healthy Mortality Table
Measurement date	6/30/11	6/30/10

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

	<u>2011</u>	<u>2010</u>
Pension liability, beginning of year	\$ 3,545,104	\$ 3,767,881
Contributions	(674,540)	(637,408)
Pension liability adjustment	(473,425)	300,462
Net periodic benefit cost	<u>415,824</u>	<u>114,169</u>
Pension liability, end of year	<u>\$ 2,812,963</u>	<u>\$ 3,545,104</u>

The net periodic benefit cost is calculated as follows:

	<u>2011</u>	<u>2010</u>
Interest cost	\$ 834,918	\$ 821,027
Net loss amortization	490,662	267,278
Expected return on assets	<u>(909,756)</u>	<u>(974,136)</u>
	<u>\$ 415,824</u>	<u>\$ 114,169</u>

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

<u>Years Ending June 30,</u>	
2011-2012	\$ 635,469
2012-2013	\$ 651,308
2013-2014	\$ 690,343
2014-2015	\$ 745,010
2015-2016	\$ 821,044
2016-2021	\$ 5,393,920

COMMUNITY TELEVISION FOUNDATION  
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NOTE 14 - EMPLOYEE BENEFIT PLANS (continued)

CTF has a voluntary tax deferred retirement plan (CTF 401(k) Profit Sharing Plan) (the "Plan") available to substantially all employees in accordance with the provisions of Section 401(k) of the Internal Revenue Code. The Plan allows the participant to make pre-tax contributions up to defined statutory limits. CTF may, at its discretion, make a matching contribution based on a percentage of the participant's Plan contributions. The Plan has a seven-year vesting schedule on the employer matching contribution. CTF did not match contributions to the Plan during the year ended June 30, 2011 and 2010.

NOTE 15 - INCOME TAXES

CTF and WCFI have qualified as nonprofit organizations under Internal Revenue Code Section 501(a) as organizations described in Section 501(c)(3) and are exempt from income taxes. Comtel is organized as a for-profit entity and, as such, is subject to income taxes. Income taxes for Comtel are accounted for using the liability method under which deferred tax liabilities and assets are recognized based on the expected future tax consequences of the differences between the financial statements and tax bases of assets and liabilities using enacted rates in effect for the year in which the differences are expected to reverse. A valuation allowance is established when it is more likely than not that all or a portion of a deferred tax asset will not be realized. Comtel did not have a provision or credit for income taxes for the years ended June 30, 2011 and 2010. At June 30, 2011 and 2010, Comtel had a deferred tax asset of approximately \$ 281,000 and \$ 232,000, respectively, primarily related to net operating loss carryforwards of approximately \$ 747,000 expiring through the year 2030. The deferred tax asset has been offset in full by a valuation allowance at June 30, 2011 and 2010 since in the opinion of management, it is more likely than not that the deferred tax asset benefit will not be realized.

NOTE 16 - EMPLOYMENT AGREEMENT

CTF has entered into employment agreements with a former officer (the CTF Agreement and the Comtel Agreement). The CTF Agreement terminated May 14, 2004 upon retirement of the officer. Post-termination health insurance benefits will be provided at 50% of cost for the remainder of the employee's life. In addition, CTF has purchased a life insurance policy for the officer for which CTF is only entitled to receive an amount equal to the premiums paid. As of June 30, 2011 and 2010, 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 \$ 509,000 and \$ 521,000 at June 30, 2011 and 2010, respectively. The cash surrender value of this policy at retirement together with earnings thereon are expected to discharge the obligations in connection with the Comtel Agreement.

**COMMUNITY TELEVISION FOUNDATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 17 - COMMITMENTS AND CONTINGENCIES**

CTF has a land lease for a tower location which expires on February 28, 2012. The land lease has a renewal option for one 5-year term expiring February 2017. CTF also leases equipment which expires in 2016 and a vehicle which expires in 2013.

Total rent expense for all operating leases (including facilities and land) amounted to approximately \$ 54,300 and \$ 322,800 for 2011 and 2010, respectively.

Approximate future minimum lease payments at June 30, 2011 and 2010 are as follows:

<u>Years Ending June 30,</u>	<u>2011</u>	<u>2010</u>
2011	\$ -	\$ 56,356
2012	\$ 32,197	\$ 15,840
2013	\$ 17,157	\$ -
2014	\$ 12,119	\$ -
2015	\$ 9,600	\$ -
Thereafter	\$ 8,000	\$ -

**NOTE 18 – SALE OF “NIGHTLY BUSINESS REPORT”**

In August 2010, CTF and NBR Worldwide, LLC (NBRW), an unrelated entity, reached an agreement with the Public Broadcasting Service for the continued distribution of the “Nightly Business Report”. This agreement enabled CTF to sell the television program “Nightly Business Report” to NBRW on August 13, 2010. The sale included the intellectual property, certain equipment, and the assets and liabilities relating mainly to leased office space for the news bureaus. CTF and NBRW have also entered into a production agreement so the program will continue production out of CTF’s facility.

**NOTE 19 – SUBSEQUENT EVENT**

Subsequent to the Foundation’s fiscal year ending June 30, 2011, the global financial markets have experienced significant declines in values. The Foundation’s investment portfolio provides for strategies and an allocation methodology to minimize its exposure to market declines. As of September 30, 2011, the Foundation’s investment portfolio suffered an approximate decline of 11% in value. No adjustments have been made to the accompanying financial statements as a result of subsequent declines in value.

# SUPPLEMENTAL INFORMATION

**COMMUNITY TELEVISION FOUNDATION  
OF SOUTH FLORIDA, INC. AND AFFILIATES  
SUPPLEMENTARY CONSOLIDATING SCHEDULE -  
STATEMENT OF FINANCIAL POSITION  
June 30, 2011**

	<u>CTF</u>	<u>WCFI</u>	<u>Eliminating Entries</u>	<u>Consolidated Totals</u>
<b>ASSETS:</b>				
Current assets:				
Cash and cash equivalents	\$ 1,073,277	\$ 401,456	\$ -	\$ 1,474,733
Receivables, net of allowance for doubtful accounts	208,601	257,656	(136,495)	329,762
Prepaid expenses and other assets	211,100	-	-	211,100
Program broadcast rights, net of amortization	901,231	-	-	901,231
Due from affiliate	538,960	6,022,264	(6,561,224)	-
Total current assets	2,933,169	6,681,376	(6,697,719)	2,916,826
Other assets	34,309	15,839	-	50,148
Investments	2,414,456	18,778,325	-	21,192,781
Cash surrender value and premiums receivable on life insurance policies	367,605	509,138	-	876,743
Program broadcast rights, net of amortization, noncurrent portion	420,886	-	-	420,886
Property and equipment, net	9,497,103	-	-	9,497,103
Total assets	<u>\$ 15,667,528</u>	<u>\$ 25,984,678</u>	<u>\$ (6,697,719)</u>	<u>\$ 34,954,487</u>
<b>LIABILITIES AND NET ASSETS:</b>				
Current liabilities:				
Accounts payable	\$ 337,747	\$ 879	\$ (6,980)	\$ 331,646
Accrued expenses	679,298	168	(129,515)	549,951
Current portion of pension liability	752,195	-	-	752,195
Refundable program advances	327,587	-	-	327,587
Program broadcast rights payable	32,890	-	-	32,890
Present value of annuity obligations	-	169,631	-	169,631
Due to affiliate	5,831,264	538,960	(6,370,224)	-
Line of credit	150,000	-	-	150,000
Total current liabilities	8,110,981	709,638	(6,506,719)	2,313,900
Borrowings with financial institution	1,446,252	2,005,417	-	3,451,669
Deferred compensation payable	-	254,764	-	254,764
Present value of annuity obligations	-	1,565,773	-	1,565,773
Pension liability, due beyond one year	2,060,768	-	-	2,060,768
Notes payable, due beyond one year	191,000	-	(191,000)	-
Total liabilities	<u>11,809,001</u>	<u>4,535,592</u>	<u>(6,697,719)</u>	<u>9,646,874</u>
Net assets:				
Unrestricted:				
Board designated	-	10,502,898	-	10,502,898
Undesignated	3,858,527	-	-	3,858,527
Temporarily restricted	-	4,170,896	-	4,170,896
Permanently restricted	-	6,775,292	-	6,775,292
Total net assets	<u>3,858,527</u>	<u>21,449,086</u>	<u>-</u>	<u>25,307,613</u>
Total liabilities and net assets	<u>\$ 15,667,528</u>	<u>\$ 25,984,678</u>	<u>\$ (6,697,719)</u>	<u>\$ 34,954,487</u>

**COMMUNITY TELEVISION FOUNDATION  
OF SOUTH FLORIDA, INC. AND AFFILIATES  
SUPPLEMENTARY CONSOLIDATING SCHEDULE -  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2011**

	CTF	WCFI	Eliminating Entries	Consolidated Totals
<b>CHANGE IN UNRESTRICTED NET ASSETS:</b>				
Revenues, gains (losses) and other support:				
Contract productions	\$ 1,693,310	\$ 283,435	\$ -	\$ 1,976,745
Contributions and bequests	4,737,224	722,184	(923,971)	4,535,437
Satisfaction of program restrictions	-	252,003	-	252,003
Corporation for Public Broadcasting:				
Community Service Grant	2,056,670	-	-	2,056,670
Capital and Other Federal Grants	354,321	-	-	354,321
State of Florida Department of Education:				
Community Service Grant	434,837	-	-	434,837
Capital Grants	132,346	-	-	132,346
Program underwriting	1,064,476	-	-	1,064,476
Interest income	73,669	385,979	(96,941)	362,707
Other	449,940	-	(290,154)	159,786
Net realized gain (loss) on sale of investments and equipment	(47)	12,929	-	12,882
Net unrealized gain (loss) on investments	(16,307)	2,602,512	-	2,586,205
Total revenues, gains (losses) and other support	<u>10,980,439</u>	<u>4,259,042</u>	<u>(1,311,066)</u>	<u>13,928,415</u>
<b>EXPENSES:</b>				
Program production, acquisition and delivery	9,475,870	250,609	(249,894)	9,476,585
Development and marketing	2,396,124	666,831	-	3,062,955
General and administrative	1,473,093	334,866	(40,260)	1,767,699
Interest expense	119,094	41,487	(96,941)	63,640
Contribution to affiliate	-	923,971	(923,971)	-
Total expenses	<u>13,464,181</u>	<u>2,217,764</u>	<u>(1,311,066)</u>	<u>14,370,879</u>
Change in unrestricted net assets from continuing operations	<u>(2,483,742)</u>	<u>2,041,278</u>	<u>-</u>	<u>(442,464)</u>
<b>DISCONTINUED OPERATIONS:</b>				
Loss from operations of discontinued program	(11,904)	-	-	(11,904)
Gain on disposal of program	5,004,040	-	-	5,004,040
Change in unrestricted net assets from discontinued operations	<u>4,992,136</u>	<u>-</u>	<u>-</u>	<u>4,992,136</u>
Change in unrestricted net assets	<u>2,508,394</u>	<u>2,041,278</u>	<u>-</u>	<u>4,549,672</u>
<b>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS:</b>				
Contributions and bequests	-	42,000	-	42,000
Interest income	-	139,737	-	139,737
Net unrealized gain on investments	-	654,845	-	654,845
Change in present value of annuity obligations	-	25,661	-	25,661
Net assets released from restrictions	-	(252,003)	-	(252,003)
Net realized gain on sale of investments	-	5,181	-	5,181
Change in temporarily restricted net assets	<u>-</u>	<u>615,421</u>	<u>-</u>	<u>615,421</u>
<b>CHANGE IN PERMANENTLY RESTRICTED NET ASSETS:</b>				
Contributions and bequests	-	70,015	-	70,015
Change in permanently restricted net assets	<u>-</u>	<u>70,015</u>	<u>-</u>	<u>70,015</u>
Change in net assets	<u>2,508,394</u>	<u>2,726,714</u>	<u>-</u>	<u>5,235,108</u>
<b>PENSION LIABILITY ADJUSTMENT</b>				
Increase in net assets	<u>473,425</u>	<u>-</u>	<u>-</u>	<u>473,425</u>
NET ASSETS, beginning of year	<u>876,708</u>	<u>18,722,372</u>	<u>-</u>	<u>19,599,080</u>
NET ASSETS, end of year	<u>\$ 3,858,527</u>	<u>\$ 21,449,086</u>	<u>\$ -</u>	<u>\$ 25,307,613</u>

**COMMUNITY TELEVISION FOUNDATION  
OF SOUTH FLORIDA, INC. AND AFFILIATES  
SUPPLEMENTARY CONSOLIDATING SCHEDULE -  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2011**

	<u>CTF</u>	<u>WCFI</u>	<u>Eliminating Entries</u>	<u>Consolidated Totals</u>
<b>OPERATING ACTIVITIES:</b>				
Cash received from supporters and customers	\$ 12,069,233	\$ 1,195,879	\$ (1,238,807)	\$ 12,026,305
Interest received	108,292	417,689	(96,941)	429,040
Interest paid	(119,094)	(30,746)	96,941	(52,899)
Cash paid to acquire programs	(2,164,245)	-	-	(2,164,245)
Cash paid for support services, to suppliers and employees	<u>(11,043,407)</u>	<u>(2,044,421)</u>	<u>1,238,807</u>	<u>(11,849,021)</u>
Net cash provided by (used in) operating activities	<u>(1,149,221)</u>	<u>(461,599)</u>	<u>-</u>	<u>(1,610,820)</u>
<b>INVESTING ACTIVITIES:</b>				
Net proceeds from disposition of discontinued operations	5,004,040	-	-	5,004,040
Cash received from sales or maturities of investments	-	2,599,110	-	2,599,110
Cash paid for property and equipment	(860,953)	-	-	(860,953)
Cash paid for investments	(2,465,384)	(2,681,551)	-	(5,146,935)
Repayments from affiliate	-	766,339	(766,339)	-
Loans to affiliates	<u>-</u>	<u>(400,000)</u>	<u>400,000</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>1,677,703</u>	<u>283,898</u>	<u>(366,339)</u>	<u>1,595,262</u>
<b>FINANCING ACTIVITIES:</b>				
Borrowings from financial institution	1,500,000	400,000	-	1,900,000
Repayment of borrowings from financial institution	(1,403,748)	(104,479)	-	(1,508,227)
Borrowings from affiliate	400,000	-	(400,000)	-
Repayments of borrowings from affiliate	<u>(766,339)</u>	<u>-</u>	<u>766,339</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>(270,087)</u>	<u>295,521</u>	<u>366,339</u>	<u>391,773</u>
Net change in cash and cash equivalents	258,395	117,820	-	376,215
CASH AND CASH EQUIVALENTS, beginning of year	<u>814,882</u>	<u>283,636</u>	<u>-</u>	<u>1,098,518</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 1,073,277</u></u>	<u><u>\$ 401,456</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,474,733</u></u>

**COMMUNITY TELEVISION FOUNDATION  
OF SOUTH FLORIDA, INC. AND AFFILIATES**  
**SUPPLEMENTARY CONSOLIDATING SCHEDULE -  
STATEMENT OF CASH FLOWS**  
(continued)  
For the Year Ended June 30, 2011

	<u>CTF</u>	<u>WCFI</u>	<u>Eliminating Entries</u>	<u>Consolidated Totals</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>				
Change in net assets	\$ 2,508,394	\$ 2,726,714	\$ -	\$ 5,235,108
Adjustments:				
Net proceeds from disposal of discontinued operations	(5,004,040)	-	-	(5,004,040)
Amortization of program rights	2,249,116	-	-	2,249,116
Provision for depreciation	1,347,674	-	-	1,347,674
Net unrealized (gain) loss on investments and property	16,307	(3,257,357)	-	(3,241,050)
Change in present value of annuity obligation	-	(37,101)	-	(37,101)
Accretion of discount on investments	34,622	17,193	-	51,815
In-kind and barter revenue and expense, net	(2,980)	-	-	(2,980)
Net realized (gain) loss on sale of investments and equipment	47	(18,110)	-	(18,063)
Program acquisitions	(2,164,245)	-	-	(2,164,245)
Changes in assets and liabilities:				
Receivables	514,894	(82,374)	323,716	756,236
Prepaid expenses and other assets	41,650	(7,253)	-	34,397
Cash surrender value on life insurance policies over deferred compensation payable	-	(13,397)	-	(13,397)
Accounts payable, accrued expenses and pension liability	(752,936)	(9,709)	(103,921)	(866,566)
Refundable program advances	62,276	-	-	62,276
Due to affiliate	-	219,795	(219,795)	-
Net cash provided by (used in) operating activities	<u>\$ (1,149,221)</u>	<u>\$ (461,599)</u>	<u>\$ -</u>	<u>\$ (1,610,820)</u>

# INTERNAL CONTROLS AND COMPLIANCE



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*

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

We have audited the consolidated financial statements of Community Television Foundation of South Florida, Inc. and Affiliates (the "Foundation") as of and for the year ended June 30, 2011, and have issued our report thereon dated October 10, 2011. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Community Television Foundation of South Florida, Inc. and Affiliates' internal control over financial reporting as a basis for designing our auditing procedures 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 Community Television Foundation of South Florida, Inc. and Affiliates' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

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 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 Foundation's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Community Television Foundation  
of South Florida, Inc. and Affiliates

This report is intended solely for the information and use of the Board of Directors, Audit Committee, management, the Auditor General of the State of Florida and the State of Florida Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
October 10, 2011