

Community Communications, Inc.

**Financial Statements and
Supplementary Information**
Years Ended September 30, 2013 and 2012

Community Communications, Inc.

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Independent Auditor's Report

Board of Trustees
Community Communications, Inc.

We have audited the accompanying financial statements of Community Communications, Inc., which comprise the statements of financial position as of September 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Communications, Inc. as of September 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Cross, Fernandez & Riley, LLP

Certified Public Accountants

February 11, 2014

Community Communications, Inc.

Statements of Financial Position

<i>September 30,</i>	2013	2012
Assets		
Current assets:		
Cash and cash equivalents (Note 6)	\$ 792,413	\$ 1,436,106
Accounts receivable	145,474	111,492
Memberships and grants receivable, net (Note 2)	353,932	32,977
Note receivable, current portion (Note 3)	957,184	950,781
Prepaid expenses	67,026	66,946
Total current assets	2,316,029	2,598,302
Investments (Notes 4 and 6)	1,942,649	1,182,376
Note receivable, net, less current portion (Note 3)	–	950,000
Property and equipment, net (Note 5)	149,301	186,900
	\$ 4,407,979	\$ 4,917,578
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 69,809	\$ 997,129
Accrued expenses	174,948	220,407
Deferred revenues	35,906	38,899
Capital lease obligation, current portion	–	2,176
Other liabilities (Note 7)	20,000	20,000
Total current liabilities	300,663	1,278,611
Other liabilities, less current portion (Note 7)	66,911	94,015
Total liabilities	367,574	1,372,626
Commitments and contingencies (Notes 11, 12, 13 and 14)	–	–
Net assets:		
Unrestricted (Note 9)	2,659,831	2,482,503
Temporarily restricted (Note 8)	349,964	31,839
Permanently restricted (Note 9)	1,030,610	1,030,610
Total net assets	4,040,405	3,544,952
	\$ 4,407,979	\$ 4,917,578

See accompanying notes to financial statements.

Community Communications, Inc.

Statement of Activities

Year ended September 30, 2013	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues and support:				
Grants (Note 10)	\$ 313,624	\$267,262	\$ -	\$ 580,886
Bequests and planned giving	100,000	-	-	100,000
Memberships	1,278,593	-	-	1,278,593
Program underwriting	1,227,021	-	-	1,227,021
Special activities	163,899	-	-	163,899
Exchange transaction revenue	26,590	-	-	26,590
Investment income, net (Note 4)	135,695	62,260	-	197,955
Donated facilities, materials, property and services (Notes 1 and 13)	954,872	-	-	954,872
Other	363,773	-	-	363,773
	4,564,067	329,522	-	4,893,589
Net assets released from restriction (Note 8)	11,397	(11,397)	-	-
Total revenues and support	4,575,464	318,125	-	4,893,589
Expenses:				
Program services:				
Programming and production	1,513,923	-	-	1,513,923
Broadcasting	376,409	-	-	376,409
Program information and promotion	107,784	-	-	107,784
Total program services	1,998,116	-	-	1,998,116
Supporting services:				
Fund raising and membership development	1,163,738	-	-	1,163,738
Management and general	1,236,282	-	-	1,236,282
Total supporting services	2,400,020	-	-	2,400,020
Total expenses	4,398,136	-	-	4,398,136
Change in net assets	177,328	318,125	-	495,453
Net assets, beginning of year	2,482,503	31,839	1,030,610	3,544,952
Net assets, end of year	\$2,659,831	\$349,964	\$1,030,610	\$4,040,405

See accompanying notes to financial statements.

Community Communications, Inc.

Statement of Activities

Year ended September 30, 2012	2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues and support:				
Grants (Note 10)	\$ 484,810	\$ 6,250	\$ –	\$ 491,060
Bequests and planned giving	3,297	–	–	3,297
Memberships	1,311,511	–	–	1,311,511
Program underwriting	940,102	–	–	940,102
Special activities	65,635	–	86	65,721
Exchange transaction revenue	79,179	–	–	79,179
Investment income, net (Note 4)	145,816	25,589	–	171,405
Donated facilities, materials, property and services (Notes 1 and 13)	1,044,076	–	–	1,044,076
Other	16,833	–	–	16,833
	4,091,259	31,839	86	4,123,184
Net assets released from restriction (Note 8)	296,839	(296,839)	–	–
Total revenues and support	4,388,098	(265,000)	86	4,123,184
Expenses:				
Program services:				
Programming and production	1,545,589	–	–	1,545,589
Broadcasting	926,159	–	–	926,159
Program information and promotion	196,322	–	–	196,322
Total program services	2,668,070	–	–	2,668,070
Supporting services:				
Fund raising and membership development	1,041,348	–	–	1,041,348
Management and general	1,177,103	–	–	1,177,103
Total supporting services	2,218,451	–	–	2,218,451
Total expenses	4,886,521	–	–	4,886,521
Change in net assets before gain on sale	(498,423)	(265,000)	86	(763,337)
Gain on sale of WMFE-TV (Note 14)	2,912,053	–	–	2,912,053
Change in net assets	2,413,630	(265,000)	86	2,148,716
Net assets, beginning of year	68,873	296,839	1,030,524	1,396,236
Net assets, end of year	\$2,482,503	\$ 31,839	\$1,030,610	\$3,544,952

See accompanying notes to financial statements.

Community Communications, Inc.

Statements of Cash Flows

<i>Year ended September 30,</i>	2013	2012
Cash flows from operating activities:		
Change in net assets	\$ 495,453	\$ 2,148,716
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Gain on sale of WMFE-TV	–	(2,912,053)
Depreciation	93,721	329,537
Loss on disposal of property and equipment	–	765
Donated property	–	(9,625)
Realized gain on investments	(142,236)	(14,881)
Unrealized (gain) loss on investments	61,254	(112,774)
Deferred compensation	(16,059)	(16,058)
Cash provided by (used for):		
Accounts receivable	(33,982)	(13,169)
Memberships and grants receivable	(320,955)	28,485
Interest receivable	(6,403)	(781)
Prepaid expenses	(80)	70,839
Accounts payable	(927,320)	73,129
Accrued expenses	(46,305)	36,094
Deferred revenues	(2,993)	(71,896)
Net cash used for operating activities	(845,905)	(463,672)
Cash flows from investing activities:		
Net proceeds received on sale of WMFE-TV and related note receivable	950,000	1,242,500
Purchase of investments	(2,204,938)	(604,739)
Proceeds from sale of investments	1,514,239	654,939
Change in Rabbi Trust	11,408	11,401
Purchase of property and equipment	(56,122)	(8,554)
Payment on charitable gift annuity	(10,199)	(9,417)
Net cash provided by investing activities	204,388	1,286,130
Cash flows from financing activities:		
Payments on capital lease obligation	(2,176)	(6,615)
Net (decrease) increase in cash and cash equivalents	(643,693)	815,843
Cash and cash equivalents, beginning of year	1,436,106	620,263
Cash and cash equivalents, end of year	\$ 792,413	\$ 1,436,106
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 3,241	\$ 6,723
Non-cash investing and financing activities:		
Note receivable issued for sale of WMFE-TV	\$ –	\$ 1,900,000

See accompanying notes to financial statements.

Community Communications, Inc.

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Nature of Business

Community Communications, Inc. (the “Company”) is a nonprofit Florida corporation which currently operates a noncommercial public radio station, WMFE-FM 90.7, broadcasting to Central and East Central Florida service areas.

Prior to the restructuring in fiscal 2011 and eventual sale of the Company’s public television license effective September 26, 2012 (see Note 14), the Company operated noncommercial public television stations, WMFE, WMFE Encore, WMFE-ED and V-me un servicio de WMFE. On July 1, 2011, the Company ceased transmitting PBS programming on WMFE, WMFE Encore and WMFE-ED as a result of the expiration of its PBS programming license rights. On September 26, 2012, the Company ceased broadcasting of V-me un servicio de WMFE.

Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid investments with a maturity date of three months or less are considered to be cash equivalents. Cash and cash equivalents include checking accounts and money market funds.

Investments

Investments are recorded at fair value based upon quoted market prices. Realized and unrealized gains and losses are reflected in the Statements of Activities with investment income.

Property and Equipment

Property and equipment are recorded at cost, if purchased, and at fair market value on the date received, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Community Communications, Inc.

Notes to Financial Statements

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. There were no impairments during fiscal years 2013 or 2012.

Grants, Bequests, Memberships and Contributions

Grants, bequests, memberships and contributions consist primarily of unconditional promises to give and are recorded when the promises to contribute are made.

Revenues and support from grants, bequests, memberships and contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as temporarily or permanently restricted support that increases those net asset classes.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the Statements of Activities as net assets released from restriction. If a temporary restriction is fulfilled in the same time period in which the contribution is received, the Company reports the support as unrestricted.

Program Underwriting, Special Activities and Exchange Transaction Revenue

Program underwriting is recognized as revenue pro rata over the broadcast period. Special activities are recognized as revenue when the event takes place. Revenues from program underwriting and special activities received but not yet earned are reported as deferred revenue. A portion of the Company's membership and special activities are exchange transactions in which each party receives and sacrifices commensurate value. Funds from these exchange transactions are not considered contributions and are deemed to be earned and reported as revenue when such funds have been expended towards the designated purpose.

Community Communications, Inc.

Notes to Financial Statements

Donated Facilities, Materials, Property and Services

Donated facilities, materials, property and services included in the accompanying financial statements are recorded at their fair market value at the date donated. Donated services, primarily accounting and consulting services, are only recorded if the services received create or enhance nonfinancial assets or require specialized skills and would typically need to be purchased if not provided by donation. No amounts have been recorded for non-specialized services; however, a number of volunteers have donated their time to the operations of the Company.

Donated amounts received and recognized in the Statements of Activities consist of the following:

<i>Year ended September 30,</i>	2013	2012
Donated facilities (Note 13)	\$ 819,370	\$ 812,578
Donated materials	108,858	187,755
Donated services	26,644	34,118
Donated property	–	9,625
	\$ 954,872	\$ 1,044,076

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized in the supplemental schedule of departmental/functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited based on the relative time spent in each activity.

Income Taxes

The Company is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under similar provisions of the Florida Income Tax Code.

The Company identifies and evaluates uncertain tax positions, if any, and recognizes the impact of uncertain tax positions for which there is a less than more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the statement of financial position. The Company has not recognized a liability for uncertain tax positions. If there were an unrecognized tax benefit, the

Community Communications, Inc.

Notes to Financial Statements

Company would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Company's open tax years subject to examination by the Internal Revenue Service generally remain open for three years from the date of filing.

Use of Estimates

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

Fair Value of Financial Instruments

The Company reports its financial assets and liabilities using a three-tier hierarchy, which prioritizes the inputs used in measuring fair value. 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 unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates); and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Community Communications, Inc.

Notes to Financial Statements

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The respective carrying value of certain financial instruments approximate their fair values due to the short-term nature of these instruments. These financial instruments include cash and cash equivalents, receivables, accounts payable and accrued expenses. The fair value of the Company's note receivable and capital lease obligation is estimated based on current rates that would be available for debt of similar terms which is not significantly different from its stated value.

The Company's Level 1 financial assets consist of investments as disclosed in Note 4 and are valued based on quoted market prices. The Company's Level 2 financial assets consist of an annuity liability related to the Company's split-interest agreement and is valued using the present value of estimated future payments and mortality tables. There are no Level 3 financial assets or liabilities held by the Company.

2. Memberships and Grants Receivable

Memberships and grants receivable represent amounts due in less than one year and are as follows:

<i>September 30,</i>	2013	2012
Memberships receivable	\$ 11,478	\$ 33,751
Grants receivable	343,016	2,500
Less allowance for uncollectible memberships receivable	(562)	(3,274)
	\$ 353,932	\$ 32,977

The Company records an allowance for uncollectible pledges and memberships receivable based upon historical collection rates. In addition, in circumstances where it is aware of a specific donor's inability to meet its financial obligations, the Company records a specific allowance to reduce the amounts recorded to what it believes will be collected. After all attempts to collect a receivable have failed, the receivable is written off against the allowance.

Community Communications, Inc.

Notes to Financial Statements

3. Note Receivable

In connection with the sale of the Company's television license effective September 26, 2012, (see Note 14), the Company and the University of Central Florida (UCF) entered into an asset purchase agreement whereby, in addition to the payment made upon closing of the sale, UCF would make two installment payments each in the amount of \$950,000, plus 3% of the previously unpaid balance of the purchase price. At September 30, note receivable is as follows:

<i>September 30,</i>	2013	2012
Note receivable	\$ 950,000	\$ 1,900,000
Accrued interest	7,184	781
	\$ 957,184	\$ 1,900,781

4. Investments

The fair values of investments consist of the following:

<i>September 30,</i>	2013	2012
Level 1 investments:		
Stock mutual funds	\$ 1,153,015	\$ 703,960
Bond mutual funds	403,944	395,309
Money market funds	385,690	83,107
	\$ 1,942,649	\$ 1,182,376

The components of investment income are as follows:

<i>Year ended September 30,</i>	<i>Unrestricted</i>		<i>Temporarily Restricted</i>		<i>Total</i>	
	2013	2012	2013	2012	2013	2012
Interest income	\$ 50,275	\$ 1,322	\$ -	\$ -	\$ 50,275	\$ 1,322
Interest and dividend income on endowment funds	38,124	41,485	28,574	943	66,698	42,428
Realized gain on endowment funds	83,148	14,881	59,088	-	142,236	14,881
Unrealized gain (loss) on endowment funds	(35,852)	88,128	(25,402)	24,646	(61,254)	112,774
	\$135,695	\$145,816	\$ 62,260	\$ 25,589	\$ 197,955	\$171,405

Community Communications, Inc.

Notes to Financial Statements

5. Property and Equipment

Property and equipment consists of the following:

<i>September 30,</i>	<i>Useful Life</i>	2013	2012
Engineering equipment	5-20 years	\$ 884,033	\$ 896,801
Programming and production equipment	5-20 years	124,815	124,815
Office furniture and equipment	5-10 years	196,573	177,923
Computer equipment	3-6 years	112,788	98,768
		1,318,209	1,298,307
Less accumulated depreciation		(1,168,908)	(1,111,407)
		\$ 149,301	\$ 186,900

6. Line of Credit

The Company has a bank line of credit with a maximum borrowing facility of \$375,000. The line of credit is secured by all cash and cash equivalents and investments maintained by the Company with the bank and bears interest at the bank's prime rate plus .75% (4% at September 30, 2013). The line of credit expires on July 30, 2014. There were no amounts outstanding under this line of credit at September 30, 2013 and 2012.

7. Other Liabilities

Other liabilities consist of an annuity liability related to the Company's split-interest agreement of \$22,676 and \$33,721 at September 30, 2013 and 2012, respectively, and deferred compensation of \$64,235 and \$80,294 at September 30, 2013 and 2012, respectively, payable to a retired key executive through 2017.

Community Communications, Inc.

Notes to Financial Statements

8. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

<i>September 30,</i>	2013	2012
Transmission and programming equipment	\$ 213,016	\$ –
Program fees and FPREN costs	21,746	–
Local programming	32,500	6,250
Humanities programming	82,702	25,589
	\$ 349,964	\$ 31,839

Temporarily restricted net assets released from restrictions are as follows:

<i>Year ended September 30,</i>	2013	2012
Child and adult education	\$ –	\$ 211,806
Local programming	6,250	7,205
Humanities programming	5,147	77,828
	\$ 11,397	\$ 296,839

9. Permanent Endowment Funds and Board-Designated Net Assets

Permanently restricted net assets represent donor restricted endowment funds that are restricted to investment in perpetuity. The Board of Trustees of the Company has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (“FUPMIFA”) as requiring the preservation of the fair value of 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, the Company classifies as permanently restricted net assets: (a) the original value of the gift donated to the permanent endowment, (b) the original value of the 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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Company in a manner consistent with the standard of prudence prescribed by FUPMIFA. In accordance with FUPMIFA, the Company considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

Community Communications, Inc.

Notes to Financial Statements

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

Permanently restricted net assets are restricted as follows:

<i>September 30,</i>	2013	2012
Humanities Endowment Fund	\$ 468,884	\$ 468,884
General Endowment Fund	561,726	561,726
	\$ 1,030,610	\$ 1,030,610

The returns on the Humanities Endowment Fund have been included in temporarily restricted investment income on the Statements of Activities since they are restricted by the donor for humanities programming. The returns on the General Endowment Fund have been included in unrestricted investment income on the Statements of Activities since they are expendable for general operating purposes; however, are Board designated until approved for expenditure. At September 30, 2013 and 2012, Board-designated net assets related to the general endowment fund were \$797,333 and \$87,913, respectively.

Spending from the endowment funds shall follow the Total Return Approach within the limits of no less than five percent and no more than eight percent of the average of the market value of the investment, subject to prior recommendation of the Company's Finance Committee and approval by the Board of Trustees.

The funds are invested in accordance with the investment policies of the Company in order to protect the principal of the fund while obtaining a reasonable stable current return and a reasonable long-term growth of capital. The investments shall be so diversified as to minimize the risk of large losses unless under the circumstances it is clearly prudent not to do so. The portion invested in fixed income shall meet the objectives of preservation of capital, liquidity to fund distributions over three to five years, and optimal investment return within these constraints.

Community Communications, Inc.

Notes to Financial Statements

Changes in the donor restricted endowment funds are as follows:

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Endowment net assets , September 30, 2011	\$ 60,383	\$ 77,828	\$1,030,524	\$1,168,735
Interest and dividends	24,058	18,370	–	42,428
Net realized gain (loss) on sale of investments	(14,742)	29,623	–	14,881
Net unrealized gain on investments	88,128	24,646	–	112,774
Contributions	337,164	225,202	86	562,452
Distributions	(407,078)	(350,080)	–	(757,158)
Endowment net assets , September 30, 2012	87,913	25,589	1,030,610	1,144,112
Interest and dividends	38,124	28,574	–	66,698
Net realized gain on sale of investments	83,148	59,088	–	142,236
Net unrealized loss on investments	(35,852)	(25,402)	–	(61,254)
Contributions	675,000	–	–	675,000
Distributions	(51,000)	(5,147)	–	(56,147)
Endowment net assets , September 30, 2013	\$797,333	\$ 82,702	\$1,030,610	\$1,910,645

10. Grant Revenues

Grant revenues consist of the following:

<i>Year ended September 30,</i>	2013	2012
Unrestricted:		
Community service grants – Corporation for Public Broadcasting	\$ 210,370	\$ 451,736
Florida Department of Education – Community Service Grants	78,254	–
Local programming and other grants	25,000	33,074
	\$ 313,624	\$ 484,810
Temporarily restricted:		
Florida Department of Education – Community Service Grants	\$ 234,762	\$ –
Local programming and other grants	32,500	6,250
	\$ 267,262	\$ 6,250

Community Communications, Inc.

Notes to Financial Statements

11. Employee Benefits

On April 1, 2001, the Company adopted a 401(k) plan (the “Plan”). Employees who are at least 21 years of age and have completed 90 days of service with the Company are eligible to participate in the Plan. The Company matches 100% of contributions by employees up to 3% of gross compensation plus 50% of contributions by employees from 3% to 5% of gross compensation. Effective November 2010, the Company suspended employer contributions to the Plan. In October 2012, the Company reinstated employer contributions. Employer contributions were \$29,107 and \$0 for the years ended September 30, 2013 and 2012, respectively.

12. Operating Leases and License Agreement

On September 26, 2012, in connection with the sale of the Company’s television license (see Note 14), the Company terminated its original lease for space on a transmission tower in Bithlo used for the antennas and other equipment required to operate its noncommercial public television and radio stations. The original lease was due to expire in November 2014. As part of the termination of that lease, the building housing the television and radio transmitters and related broadcast equipment became property of the lease holder. Effective September 26, 2012, the Company entered into a license agreement which expires in November 2015, for a non-exclusive license to use the tower space, including access to the building and tower, in connection with the Company’s continued operations of its radio broadcasting activities.

As of September 30, 2013, future minimum payments under this license agreement, and an office equipment lease expiring in November 2013, are as follows:

<i>Year ended September 30,</i>	<i>Total</i>
2014	\$ 25,369
2015	26,130
2016	3,278
	<hr/>
	\$ 54,777

Total rent expense under all operating leases, including those that have initial or remaining noncancelable lease terms that are less than one year, amounted to approximately \$27,000 and \$69,000 for the years ended September 30, 2013 and 2012,

Community Communications, Inc.

Notes to Financial Statements

respectively. See Note 13 for a description of the Company's facilities lease agreement with the State of Florida Department of Education.

On September 26, 2012, in connection with the license agreement discussed above, the Company entered into a Transmitter Facility Sublease for portions of the property, equipment and airspace currently used to house the Company's radio broadcasting activities. The lease is set to expire in November 2024 with an option to renew. Future lease payments are not determinable at this time since they are based on future maintenance costs of the facility.

13. Lease with State of Florida Department of Education

In 1977, the Company and the Department of Education entered into an agreement which provided that the Department of Education would purchase public broadcast facilities for \$1,555,536 for use by and lease to the Company for a term of 40 years at \$1 per year. In 1992, facility renovations valued at \$1,916,015 were completed, and a transmitter building valued at \$111,512 was added to the lease. During fiscal year 2009, renovations were completed to upgrade the radio studio facilities to accommodate digital broadcasting as well as additional upgrades to the facilities, both inside and out. At the expiration of the lease, the Department of Education will convey title to the broadcast facility to the Company provided it has the authority to do so. If the Department of Education lacks the authority to convey the title, then the Company shall have the option to renew the lease upon the same terms and conditions for an additional 20 years. As part of the agreement, the Company has sole and exclusive control over the use of the leased assets and is responsible for all costs of accounting, maintaining and insuring such assets.

Because of some substantial restrictions and other lease provisions that could cause the unintentional forfeiture of the rights of the Company under this lease, it is not considered a capital lease. The annual fair rental value of the facilities, as determined by appraisal, has been recorded as donated facilities revenue and allocated among the various program and supporting services expenses in the accompanying Statements of Activities. The total fair rental value was \$819,370 and \$812,578 for the years ended September 30, 2013 and 2012, respectively.

Community Communications, Inc.

Notes to Financial Statements

14. Sale of Television Station and Restructuring

During fiscal 2011, the Company studied the sustainability of its public television station after experiencing years of rising broadcasting costs; decreasing state, national and local support; the Corporation for Public Broadcasting overlap market penalty that reduced its annual federal grant by 66%; and audience fragmentation. These and other factors led the Board to conclude that WMFE-TV was no longer sustainable. Additionally, the Corporation for Public Broadcasting had indicated that during fiscal 2010, even after experiencing budget cuts and layoffs, 67 percent of public TV stations operated at a loss. After consideration of various other alternatives, on February 16, 2011, the Company's Board elected to divest itself of its television license and concentrate on strengthening its radio presence that had been experiencing steady increases in audience listeners and support.

On July 1, 2011 the PBS programming license rights expired, and WMFE ceased transmitting PBS programming on WMFE, WMFE Encore and WMFE-ED. WMFE management worked closely with PBS to make a smooth transition for its viewers of the primary PBS station programming.

On June 25, 2012, the Company entered into an asset purchase agreement with the University of Central Florida (UCF) for the sale of its broadcasting license and authorizations to transfer the license issued by the Federal Communications Commission (FCC), as well as the sale of certain assets for a total purchase price of \$3,300,000. Of this amount, \$1,400,000 was due upon execution of the sale, and two additional payments each in the amount of \$950,000, plus 3% of the previously unpaid balance of the purchase price, are due in July 2013 and July 2014. (see Note 3). The FCC approved the sale in August 2012 and on September 26, 2012, the sale was closed and became effective, at which time \$1,400,000, less closing costs of \$157,500, was paid to the Company. The Company recorded a gain on the sale of \$2,912,053 which is included in the Statement of Activities for the year ended September 30, 2012. As a result of the sale, the Company ceased broadcasting of V-me un servicio de WMFE, its remaining television station.

As a result of the sale of the television broadcasting license, the Company began restructuring in fiscal year 2011 and terminated 14 employees. The restructuring included one-time severance payments of approximately \$15,300 for the year ended September 30, 2012. No severance payments were made in 2013 pertaining to the restructuring. These

Community Communications, Inc.

Notes to Financial Statements

costs are included throughout program, fundraising and management and general expense in the accompany Statement of Activities.

15. Concentration of Credit Risk

Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Company has never experienced any losses related to these balances. At September 30, 2013, insurance coverage amounted to \$250,000 per depositor at each financial institution.

Investments consist primarily of stock and bond mutual funds and money market funds. Although the market value of investments is subject to fluctuations on a day-to-day basis, management believes the current investment strategy is prudent for the long-term welfare of the Company.

16. Subsequent Events

The Company has evaluated events and transactions occurring subsequent to September 30, 2013 as of February 11, 2014, which is the date the financial statements were issued. Subsequent events occurring after February 11, 2014 have not been evaluated by management. No material events have occurred since September 30, 2013 that require recognition or disclosure in the financial statements.

Supplementary Information



Independent Auditor's Report on Supplementary Information

Our audits of the financial statements included in the preceding section of this report were performed for the purpose of forming an opinion on those statements as a whole. The supplementary information presented in the following section of this report is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 financial statements as a whole.

Cross, Fernandez & Riley, LLP

Certified Public Accountants

Orlando, Florida
February 11, 2014

Community Communications, Inc.

Schedule of Departmental/Functional Expenses

Year ended September 30, 2013	Allocation to Program and Supporting Services					Total	
	Programming and Production	Broadcasting	Program Information and Promotion	Fund Raising and Membership Development	Management and General	2013	2012 Memorandum Only
<u>Department</u>							
Administration	\$ -	\$ -	\$ -	\$ -	\$ 503,697	\$ 503,697	\$ 534,781
Building Maintenance	-	58,032	-	-	53,896	111,928	123,077
Computer Services	-	-	-	-	27,730	27,730	12,636
Donated Facilities	388,213	77,686	3,502	83,225	266,744	819,370	812,578
Donated Materials	-	-	78,913	29,945	-	108,858	187,755
Donated Services	-	-	-	-	26,644	26,644	34,118
Engineering	61,819	180,379	-	-	4,121	246,319	660,784
Executive	-	-	-	-	353,450	353,450	301,548
FM Programming	781,151	25,713	12,905	-	-	819,769	830,785
Growing Bolder Programs	-	-	-	-	-	-	2,901
Membership – Major	-	-	-	77,341	-	77,341	70,314
Membership – Regular	-	-	-	424,721	-	424,721	454,182
Membership Premiums	-	-	-	67,577	-	67,577	95,809
News Staff	222,358	-	10,578	-	-	232,936	225,683
Production	1,490	-	-	-	-	1,490	31,214
Program Promotion	-	-	1,886	-	-	1,886	8,615
TV Programming	-	-	-	-	-	-	54,773
Traffic	-	-	-	-	-	-	47
Underwriting	-	-	-	480,929	-	480,929	353,425
Web Services	58,892	34,599	-	-	-	93,491	91,496
	\$1,513,923	\$376,409	\$107,784	\$1,163,738	\$1,236,282	\$4,398,136	\$4,886,521

Community Communications, Inc.

Schedules of Expenses

<i>Year ended September 30,</i>	2013	2012
Advertising	\$ 6,912	\$ 605
Agency Fees	164,686	177,639
Contracted Services	554,111	493,546
Depreciation	93,721	329,537
Donated Facilities	819,370	812,578
Donated Materials	108,858	187,755
Donated Services	26,644	34,118
Dues and Registrations	41,403	33,400
Employee Benefits	42,891	4,426
Entertainment	13,540	7,982
Insurance	192,896	236,504
Interest	3,241	13,786
Loss on Disposal of Property and Equipment	–	765
Loss on Uncollectible Accounts	563	3,584
Payroll	1,189,317	1,107,047
Payroll Taxes	82,887	81,177
Postage and Freight	56,843	55,120
Printing	23,803	42,380
Program Acquisition	653,622	735,330
Rent	26,831	69,430
Repairs and Maintenance	54,289	50,154
Supplies and Premiums	102,216	111,946
Telephone	24,720	26,208
Travel	15,858	8,739
Utilities	98,914	262,765
	\$ 4,398,136	\$ 4,886,521