

***City Colleges of Chicago  
Community College District  
No. 508 WYCC–Channel 20***

*Financial Statements and Required Supplementary  
Information as of and for the  
Year Ended June 30, 2004 and  
Independent Auditors' Report*

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
City Colleges of Chicago Community College District No. 508 WYCC-Channel 20  
Chicago, Illinois

We have audited the basic financial statements of WYCC-Channel 20 ("WYCC") of the City Colleges of Chicago-Community College District No. 508 ("City Colleges") as of June 30, 2004, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of WYCC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WYCC's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of WYCC-Channel 20 of the City Colleges of Chicago-Community College District No. 508 as of June 30, 2004, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The statement of functional expenses is presented for purposes of additional analysis. This information is the responsibility of WYCC's management. Such information has been subjected to auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Management's Discussion and Analysis on pages 2-5 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of WYCC's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

*Deloitte + Touche LLP*

July 15, 2005

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Mission**

WYCC-Channel 20 ("WYCC") of the City Colleges of Chicago-Community College District No. 508 ("City Colleges") extends the mission of City Colleges by providing public education via the television medium. Its mission is to enrich, enlighten, and engage the diverse and multicultural Chicago area communities with WISE television production and programming.

### **Using This Annual Report**

This section of WYCC's Annual Financial Report represents management's discussion and analysis of WYCC's financial activity during the fiscal year ended June 30, 2004. The management's discussion and analysis focuses on current activities and currently known facts of WYCC as a unit of City Colleges. Responsibility for the completeness and fairness of this information rests with management of City Colleges.

### **Statement of Revenues and Expenses**

The statement of revenues, expenses and changes in net assets reflects the format required by the Corporation for Public Broadcasting. Revenues are classified by source. Expenses are classified according to function. Grants are recognized as revenues in the period when funds are used.

### **Highlights**

The following schedules were prepared from WYCC's statements of net assets, which are presented on an accrual basis whereby assets are capitalized and depreciated.

### **Restatement**

Certain amounts in the 2003 financial statements have been changed in the Management's Discussion and Analysis for a reclassification of accounts receivable to cash and for restatements relating to (1) capitalization of costs previously expensed, (2) depreciation adjustments for the corrected balance of capital assets and the effect of a longer service life, and (3) recognition of revenue previously deferred.

<b>Net Assets</b>	<b>2004</b>	<b>2003</b>
Current assets	\$ 2,210,584	\$ 1,860,108
Capital assets	2,789,482	2,752,822
Less accumulated depreciation	<u>(429,834)</u>	<u>(91,052)</u>
Total assets	4,570,232	4,521,878
Liabilities	<u>1,614,769</u>	<u>1,249,293</u>
Net assets:		
Invested in capital assets, net of related debt	2,359,648	2,661,770
Unrestricted	<u>595,815</u>	<u>610,815</u>
Total net assets	<u>\$ 2,955,463</u>	<u>\$ 3,272,585</u>

<b>Revenues, Expenses, and Changes in Net Assets</b>	<b>2004</b>	<b>2003</b>
Operating revenues	\$ 283,229	\$ 301,009
Operating expenses	<u>(5,708,463)</u>	<u>(5,866,127)</u>
Operating loss	(5,425,234)	(5,565,118)
Nonoperating revenues	<u>5,071,452</u>	<u>5,281,086</u>
Loss before capital appropriations and grants	(353,782)	(284,032)
Capital appropriations and grants	<u>36,660</u>	<u>2,937,820</u>
Change in net assets	(317,122)	2,653,788
Net assets, beginning of year	<u>3,272,585</u>	<u>618,797</u>
Net assets, end of year	<u>\$ 2,955,463</u>	<u>\$ 3,272,585</u>

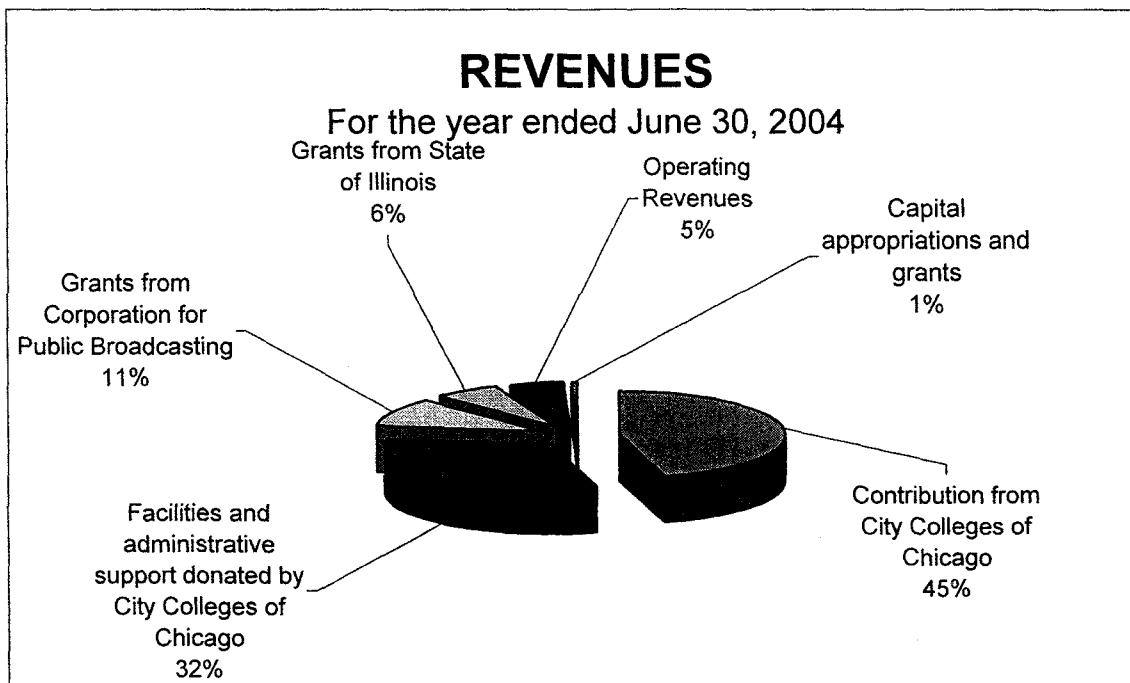
### **Net Assets**

Current assets and current liabilities increased from 2003 to 2004 due to a Corporation for Public Broadcasting grant in the amount of \$350,000 that is being spent over the allowed grant period ending September 30, 2004. Depreciation for 2004 of \$338,782 had the effect of increasing accumulated depreciation, reducing noncurrent assets, and reducing net assets invested in capital assets.

### **Revenues, Expenses and Changes in Net Assets**

Loss before capital appropriations and grants in 2004 substantially reflects the amount of depreciation recorded for the year. See the detail discussions in revenues and expenses for changes between 2004 and 2003. Below is a graphical illustration of revenues and expenses:

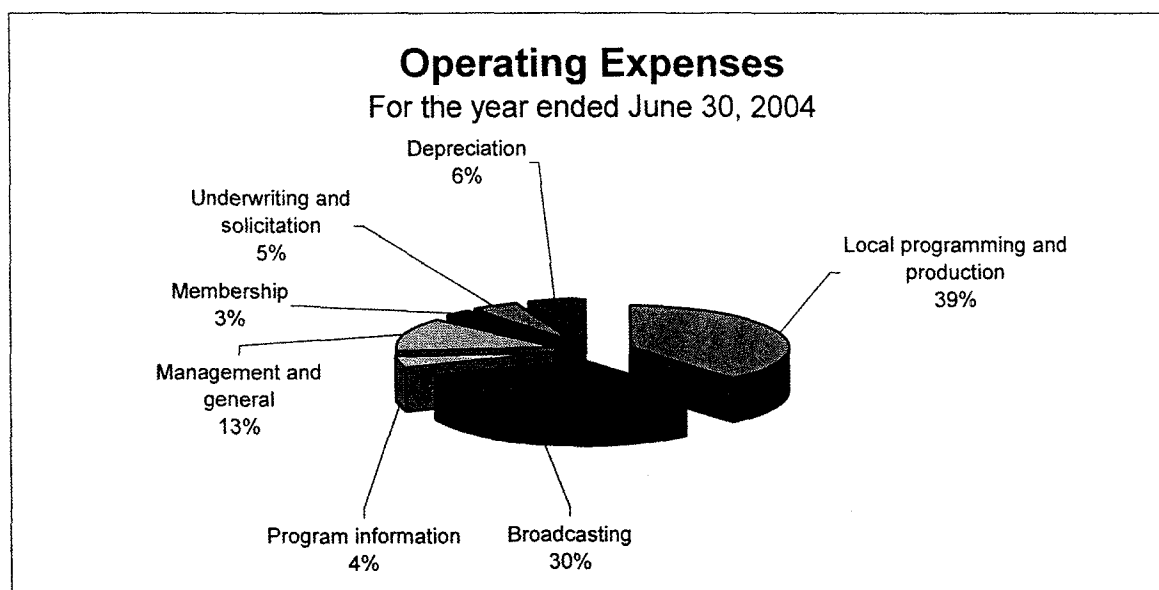
Total Revenues	2004	2003
Contribution from City Colleges of Chicago	\$2,455,317	\$2,666,990
Facilities and administrative support donated by City Colleges of Chicago	1,709,372	2,235,331
Grants from Corporation for Public Broadcasting	571,063	66,120
Grants from State of Illinois	335,700	312,645
Operating revenues	283,229	301,009
Capital appropriations and grants	<u>36,660</u>	<u>2,937,820</u>
<b>Total revenues</b>	<b><u>\$5,391,341</u></b>	<b><u>\$8,519,915</u></b>
Operating revenues	\$ 283,229	\$ 301,009
Nonoperating revenues	5,071,452	5,281,086
Capital appropriations and grants	<u>36,660</u>	<u>2,937,820</u>
<b>Total revenues</b>	<b><u>\$5,391,341</u></b>	<b><u>\$8,519,915</u></b>



## Revenues

Total revenues decreased by \$3.1 million from 2003 to 2004 mainly due to the one-time capital grant received in 2003 from the State of Illinois to assist WYCC in the conversion to digital transmission. In 2004, WYCC increased its use of Corporation for Public Broadcasting grants which reduced the contribution from City Colleges. Facilities and administrative support donated by City Colleges of Chicago are down as total functional expenses are down \$3.1 million.

Operating Expenses	2004	2003
Local programming and production	\$2,221,017	\$1,841,557
Broadcasting	1,726,167	2,073,279
Program information	245,787	139,632
Management and general	751,072	900,994
Membership	166,579	239,122
Underwriting and solicitation	259,059	615,079
Depreciation	<u>338,782</u>	<u>56,461</u>
 Total operating expenses	 5,708,463	 5,866,124
 Less depreciation	 (338,782)	 (56,461)
Plus capital outlay	<u>36,660</u>	<u>2,710,252</u>
 Functional expenses	 <u>\$5,406,341</u>	 <u>\$8,519,915</u>



### Operating Expenses

Local programming and production expenses increased from 2003 to 2004 by approximately \$380,000. This increase was the result of the following additional costs: increase in staff for approximately \$190,000, increase in contractual services of approximately \$96,000, and increase in supplies of approximately \$94,000. These additional costs were incurred to more effectively operate local programming and production. Broadcasting expenses decreased from 2003 to 2004 by approximately \$340,000. This decrease was partially driven by a decrease in utility costs in 2004 compared with 2003 of approximately \$105,000 due to a new and more efficient transmitter. Additionally, WYCC incurred costs of approximately \$200,000 in 2003 related to the upgrade of digit services, which was not incurred in 2004. Underwriting and solicitation is down approximately \$356,000 due to the reduction in the use of outside contractors. Depreciation expense increased by approximately \$282,000 from 2003 to 2004 because 12 months of depreciation was recorded in 2004 compared with only 2 months of depreciation in 2003 because the equipment was not put into service until May 2003.

**CITY COLLEGES OF CHICAGO  
COMMUNITY COLLEGE DISTRICT NO. 508  
WYCC—CHANNEL 20**

**STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2004**

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**ASSETS**

**CURRENT ASSETS:**

Cash and cash equivalents	\$ 1,892,705
Accounts receivable	47,879
Prepaid expenses	<u>270,000</u>
 Total current assets	 <u>2,210,584</u>

**PROPERTY AND EQUIPMENT:**

Capital assets	2,789,482
Accumulated depreciation	<u>(429,834)</u>
 Total property and equipment	 <u>2,359,648</u>

<b>TOTAL</b>	<b><u>\$4,570,232</u></b>
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**LIABILITIES AND NET ASSETS**

**LIABILITIES:**

Accounts payable and accrued expenses	\$ 106,647
Deferred revenue	<u>1,508,122</u>
 Total liabilities	 <u>1,614,769</u>

**NET ASSETS:**

Invested in capital assets, net of related debt	2,359,648
Unrestricted	<u>595,815</u>
 Total net assets	 <u>2,955,463</u>

<b>TOTAL</b>	<b><u>\$4,570,232</u></b>
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See notes to basic financial statements.

**CITY COLLEGES OF CHICAGO  
COMMUNITY COLLEGE DISTRICT NO. 508  
WYCC—CHANNEL 20**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2004**

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OPERATING REVENUES	<u>\$ 283,229</u>
OPERATING EXPENSES:	
Local programming and production	2,221,017
Broadcasting	1,726,167
Program information	245,787
Management and general	751,072
Membership	166,579
Underwriting and solicitation	259,059
Depreciation	<u>338,782</u>
Total operating expenses	<u>5,708,463</u>
OPERATING LOSS	<u>(5,425,234)</u>
NONOPERATING REVENUES:	
Contribution from City Colleges of Chicago	2,455,317
Facilities and administrative support donated by City Colleges of Chicago	1,709,372
Grants from the Corporation for Public Broadcasting	571,063
Grants from the State of Illinois	<u>335,700</u>
Nonoperating revenues	<u>5,071,452</u>
LOSS BEFORE CAPITAL APPROPRIATIONS AND GRANTS	(353,782)
CAPITAL APPROPRIATIONS AND GRANTS	<u>36,660</u>
CHANGE IN NET ASSETS	(317,122)
NET ASSETS—July 1 (as restated)	<u>3,272,585</u>
NET ASSETS—June 30	<u>\$ 2,955,463</u>

See notes to basic financial statements.



**CITY COLLEGES OF CHICAGO  
COMMUNITY COLLEGE DISTRICT NO. 508  
WYCC—CHANNEL 20**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2004**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Underwriting and membership	\$ 251,049
Payments to suppliers less depreciation	<u>(3,992,441)</u>
Net cash used in operating activities	<u>(3,741,392)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Contributions from City Colleges of Chicago	2,455,317
Grant contributions	<u>1,499,201</u>
Net cash flows provided by noncapital financing activities	<u>3,954,518</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	
Capital appropriations and grants	36,660
Purchase of capital assets	<u>(36,660)</u>
Net cash flows provided by capital financing activities	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	213,126
CASH—July 1 (as restated)	<u>1,679,579</u>
CASH—June 30	<u>\$ 1,892,705</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	\$ (5,425,234)
Adjustments to reconcile:	
Depreciation	338,782
Facilities and administrative support donated by City Colleges of Chicago	1,709,372
Changes in assets and liabilities:	
Accounts receivable	(32,180)
Prepaid expenses	(270,000)
Accounts payable and accrued expenses	<u>(62,132)</u>
Total adjustments	<u>1,683,842</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (3,741,392)</u>

See notes to basic financial statements.

**CITY COLLEGES OF CHICAGO  
COMMUNITY COLLEGE DISTRICT NO. 508  
WYCC—CHANNEL 20**

**NOTES TO FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004**

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**1. NATURE OF OPERATIONS**

WYCC—Channel 20 (“WYCC”) is a not-for-profit, public broadcasting television station wholly owned and operated by the City Colleges of Chicago—Community College District No. 508 (“City Colleges”) for the purpose of delivering televised credit courses and educational programming to the community.

**2. SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***—The accompanying financial statements have been prepared in conformity with accounting practices prescribed by the Corporation for Public Broadcasting (“CPB”). These practices require that the financial statements conform to accounting principles generally accepted in the United States of America. The financial statements presented are only for WYCC, and are not intended to present the financial positions or results of operation of City Colleges.

The financial statements of WYCC have been prepared on the accrual basis of accounting. Restricted funds are reported as revenue when expended. Grant funds that are attributable to future expenses are reported as deferred revenue. Expenses include all liabilities for goods and services actually received as of June 30, 2004.

The assets, liabilities, and net assets of WYCC are reported in two self-balancing funds and one group of accounts as follows:

- Operating funds include unrestricted and restricted resources that are available for the support of WYCC’s operations.
- The fixed asset group of accounts has been established to account for fixed assets used in the principal activities of WYCC.

***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 and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

***Cash and Cash Equivalents***—To better manage the resources of City Colleges, all of its cash is accounted for on a pooled basis. Equity Cash at June 30, 2004 represents WYCC’s share of the pooled cash.

***Capital Assets***—Capital assets are recorded at cost on the date of acquisition, or at fair market value in the case of gifts, and are recorded in the fixed asset group of accounts. Purchases of fixed assets are recorded as expenditures of operating funds. As part of the implementation of Governmental Accounting Standards Board (“GASB”) Statement No. 34 and Statement No. 35 at July 1, 2002, WYCC followed

City Colleges' capitalization policy of \$5,000 per item for past and future furniture and equipment and recorded accumulated depreciation to date. WYCC major capital asset is its transmitter and antenna which has a life of 8 years and is depreciated on a straight line method. Expenses for repairs and maintenance are charged to operations as incurred. The following is a summary of changes in the capital assets for 2004:

	Beginning Balance	Disposals	Additions	Ending Balance
Cost	\$2,752,822	\$ -	\$ 36,660	\$2,789,482
Accumulated depreciation	<u>(91,052)</u>	<u>          </u>	<u>(338,782)</u>	<u>(429,834)</u>
Net book value	<u>\$2,661,770</u>	<u>\$ -</u>	<u>\$ (302,122)</u>	<u>\$2,359,648</u>

**Donated Facilities and Administrative Support**—Donated facilities by City Colleges consist of office and studio space and related occupancy costs and are recorded in revenues and expenses based on allocations of actual expenditures of the City Colleges. Administrative support from City Colleges consists of allocated financial and administrative costs and certain other expenditures incurred by City Colleges on behalf of WYCC.

**Restatement**—“Cash–July 1 (as restated)” amount shown on page 8 of the Statement of Cash Flows has been restated from \$1,530,756 to \$1,679,579 to reclassify an amount as “Cash” that was incorrectly reported as “Receivables from the City Colleges of Chicago” in the 2003 financial statements.

The “Net Assets–July 1 (as restated)” amount shown on page 7 of the Statement of Revenues, Expenses and Changes in Net Assets has been restated from \$1,899,669 to \$3,272,585 to correct errors related to the 2003 financial statements. These adjustments include:

- An increase in capital assets of \$453,550 to capitalize costs associated with the installation of a digital antenna and transmitter in May 2003 that was previously expensed in the 2003 financial statements.
- A decrease in accumulated depreciation of \$308,551 due to a revised longer useful life on the transmitter of 8 years compared with a previous useful life of 4 years and a correction of the in-service date from September 2002 to May 2003.
- An increase in beginning unrestricted net assets to properly reflect \$610,815 reported as deferred revenue in the 2003 financial statements.

### 3. LEASES

On October 1, 1999, City Colleges renewed a lease agreement with John Hancock Mutual Life Insurance Company (SRI Michigan Avenue Venture LLC) for transmitter and antenna space. On May 1, 2003, City Colleges entered into an agreement with John Hancock Center (SRI Michigan Avenue Venture, LLC) to lease additional space. The terms of the amendment require that “tenant’s rental of the new space shall be included and coterminous with, and subject to all terms of, the existing lease which expires on September 30, 2014.” The amended lease required annual minimum payments of \$532,761 as well as provisions to adjust for increases in the Consumer Price Index and additional landlord costs. Lease expense for the year ended June 30, 2004 totaled \$526,144.

The following is a schedule by year of future minimum rental payments required under the lease agreement:

<b>Year Ending June 30</b>	<b>Amount</b>
2005	\$ 507,693
2006	522,924
2007	538,612
2008	554,770
2009	556,487
2010 to 2014	3,027,252
2015	<u>161,980</u>
<b>Total</b>	<b><u>\$5,869,718</u></b>

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**CITY COLLEGES OF CHICAGO  
COMMUNITY COLLEGE DISTRICT NO. 508  
WYCC--CHANNEL 20**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2004**

	Program Services			Supporting Services			Total
	Local Programming & Production	Broadcasting Information	Program Management & General	Membership Solicitation	Underwriting & Capital Outlay		
Expenses:							
Salaries and taxes	\$ 1,075,238	\$ 563,510	\$ 110,856	\$ 531,707	\$ 75,210	\$ 30,100	\$ 2,386,621
Professional services	338,690	13,064		18,311	22,454	170,495	563,014
Supplies	308,658	41,253	38,115	77,974	38,580	46,795	551,375
Telephone and utilities		110,434		28,498	8,679		138,932
Postage and delivery	1,680			24,128			34,487
Printing and publications	1,594		88,268	475			90,337
Advertising	5,947		7,311	329	1,645		15,232
Rental and equipment maintenance	15,799	67,958		384			84,141
Occupancy		922,673					922,673
Travel	30,222	7,275	1,237	39,414	1,802	6,562	86,512
Dues and membership Equipment	443,189			29,852	18,209	5,107	496,357
							36,660
<b>Total expenses</b>	<b>\$ 2,221,017</b>	<b>\$ 1,726,167</b>	<b>\$ 245,787</b>	<b>\$ 751,072</b>	<b>\$ 166,579</b>	<b>\$ 259,059</b>	<b>\$ 5,406,341</b>