

City Colleges of Chicago
Community College
District No. 508
WYCC-TV20

Financial Statements as of and for the Years Ended
June 30, 2013 and 2012, Supplementary Information
as of and for the Years Ended June 30, 2013 and 2012, and
Independent Auditor's Report

**CITY COLLEGES OF CHICAGO
COMMUNITY COLLEGE DISTRICT NO. 508
WYCC-TV20**

TABLE OF CONTENTS

| | Page |
|---|-------------|
| INDEPENDENT AUDITOR'S REPORT | 1-2 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 3-7 |
| FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2013 AND 2012: | |
| Statements of Net Position | 8 |
| Statements of Revenues, Expenses, and Changes in Net Position | 9 |
| Statements of Cash Flows | 10 |
| Notes to Financial Statements | 11-15 |
| SUPPLEMENTARY INFORMATION FOR THE YEARS ENDED JUNE 30, 2013 AND 2012: | |
| Statements of Functional Expenses | 17 - 18 |



Independent Auditor's Report

To the Board of Trustees of
City Colleges of Chicago
Community College District No. 508
WYCC – TV20
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of City Colleges of Chicago, Community College District No. 508 WYCC-TV20 (WYCC-TV20) as of and for the year ended June 30, 2013, and the related notes to the financial statements, as listed in the table of contents.

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 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 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 respective financial position of City Colleges of Chicago, Community College District No. 508 WYCC-TV20, as of June 30, 2013, and the respective changes in financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 2, the financial statements of City Colleges of Chicago, Community College District No. 508 WYCC-TV20, are intended to present the financial position, the changes in financial position and cash flows of only that portion of the City Colleges of Chicago that is attributable to the transactions of the department (WYCC-TV20). They do not purport to, and do not, present fairly the financial position of City Colleges of Chicago as of June 30, 2013, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-7 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements of City Colleges of Chicago, Community College District No. 508 WYCC-TV20. The statement of functional expenses for the year ended June 30, 2013 is presented for purposes of additional analysis and is not a required part of the financial statements. The statement of functional expenses for the year ended June 30, 2013 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. Such information has been subjected to the auditing procedures applied in the audit 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 statement of functional expenses for the year ended June 30, 2013 is fairly stated, in all material respects, in relation to the financial statements as a whole. The statement of functional expenses for the year ended June 30, 2012, was audited by other auditors whose report, dated October 31, 2012, expressed an unmodified opinion on such information in relation to the financial statements taken as a whole.

Prior Year Other Auditors

The financial statements of City Colleges of Chicago, Community College District No. 508, WYCC-TV20, as of and for the year ended June 30, 2012, were audited by other auditors whose report dated October 31, 2012 expressed an unmodified opinion on those statements.

McGladrey LLP

Chicago, Illinois
December 10, 2013

**CITY COLLEGES OF CHICAGO
COMMUNITY COLLEGE DISTRICT NO. 508
WYCC-TV20**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

Mission

WYCC-TV20 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 quality television production and programming.

Using This Financial Statement

This section of WYCC-TV20's financial statements represents management's discussion and analysis of WYCC-TV20's financial activity during the fiscal years ended June 30, 2013 and 2012. Management's discussion and analysis focuses on current activities and currently known facts of WYCC-TV20 as a separate reporting unit of City Colleges.

Statement of Revenues, Expenses, and Changes in Net Position

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

Additional Information

WYCC-TV20 receives a substantial portion of its annual funding from City Colleges of Chicago, the CPB, and the state and federal government.

WYCC-TV20's Federal Communication Commission (FCC) license to broadcast will expire December 1, 2013, but station management has applied for, and expects to receive, a renewal.

The following schedules on pages 4 through 7 were prepared from WYCC-TV20's financial statements on pages 8 through 10, which are presented on the accrual basis of accounting.

Net Position

2013 — Total current assets decreased by \$514,762 mainly due to cash being used to pay accounts payable and accrued expenses as well as to purchase capital assets. Receivables increased as a result of a new federal grant which was not received by year end of approximately \$357,000, as well as \$250,000 due from an affiliate relating to a bequest. Prepaid expenses decreased slightly as the station entered into the last year of a maintenance contract on its equipment. Deferred revenue increased as the station received funds from grantors that it has not yet spent on eligible expenditures. Depreciation of \$619,885 had the effect of increasing accumulated depreciation, reducing noncurrent assets, and reducing net investment in capital assets.

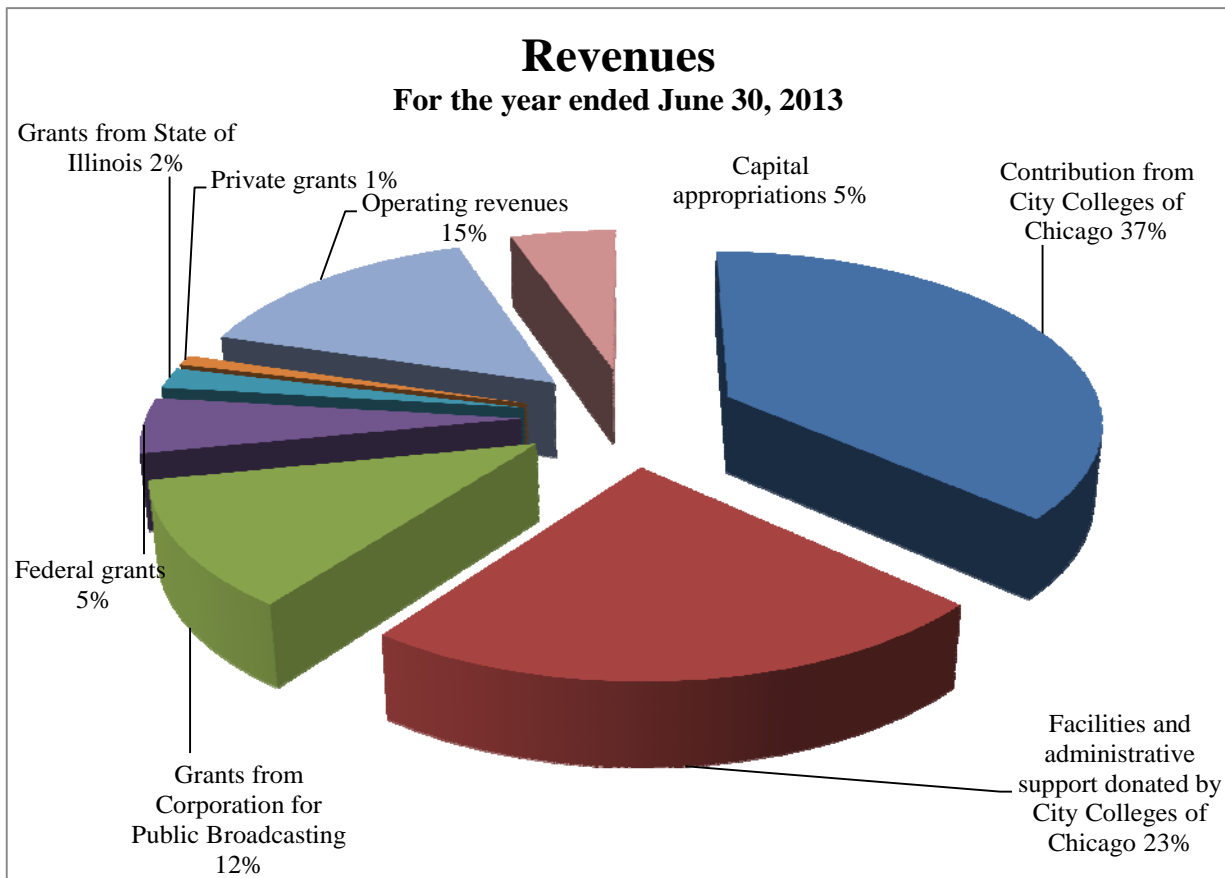
2012 — Current assets increased by \$250,202 mainly due to an increase in cash and cash equivalents which fluctuates based on the nature of WYCC's operations. Capital assets increased by \$539,882 due to purchases of software in the year. Liabilities increased by \$790,084 due to the timing of a payable for dues to the Public Broadcasting Service and a liability recorded in the current year resulting from an audit performed by the CPB.

| Net Position | 2013 | 2012 |
|--|---------------------|---------------------|
| Current assets | \$ 1,777,966 | \$ 2,292,728 |
| Capital assets not being depreciated | 54,600 | 488,167 |
| Capital assets being depreciated, net | <u>2,933,561</u> | <u>2,569,934</u> |
| Total assets | 4,766,127 | 5,350,829 |
| Liabilities - current | <u>1,741,744</u> | <u>1,706,560</u> |
| Net position: | | |
| Net investment in capital assets | 2,988,161 | 3,058,101 |
| Unrestricted | <u>36,222</u> | <u>586,168</u> |
| Total net position | <u>\$ 3,024,383</u> | <u>\$ 3,644,269</u> |
| | | |
| Revenues, Expenses, and Changes in Net Position | 2013 | 2012 |
| Operating revenues | \$ 1,032,233 | \$ 724,254 |
| Operating expenses | <u>(7,514,591)</u> | <u>(6,543,280)</u> |
| Operating loss | (6,482,358) | (5,819,026) |
| Nonoperating revenues | <u>5,501,743</u> | <u>4,704,616</u> |
| Loss before capital appropriations | (980,615) | (1,114,410) |
| Capital appropriations | <u>360,730</u> | <u>624,784</u> |
| Change in net position | (619,885) | (489,626) |
| Net position, beginning of year | <u>3,644,269</u> | <u>4,133,895</u> |
| Net position, end of year | <u>\$ 3,024,383</u> | <u>\$ 3,644,269</u> |

Revenues, Expenses, and Changes in Net Position as of June 30, 2013

Below is a graphical illustration of revenues for the years ended June 30, 2013 and 2012:

| Total Revenues | 2013 | 2012 |
|---|----------------------------|----------------------------|
| Contribution from City Colleges of Chicago | \$ 2,536,996 | \$ 1,888,691 |
| Facilities and administrative support donated by City Colleges of Chicago | 1,605,652 | 1,205,232 |
| Grants from Corporation for Public Broadcasting | 807,638 | 1,027,659 |
| Federal grants | 354,876 | 0 |
| Grants from State of Illinois | 132,419 | 180,636 |
| Private grants | 64,162 | 402,398 |
| Operating revenue | 1,032,233 | 724,254 |
| Capital appropriations | <u>360,730</u> | <u>624,784</u> |
| Total revenues | <u>\$ 6,894,706</u> | <u>\$ 6,053,654</u> |



Revenues for fiscal year ended June 30, 2013

Operating revenues increased by \$307,979 due to a \$280,890 increase in contribution revenue, a \$29,682 increase in production revenue, and a \$4,194 increase in membership revenue, which were offset by a \$6,787 decrease in underwriting revenue. WYCC-TV20 received a \$250,000 bequest during fiscal year 2013, which is included in the contribution revenue increase above. Nonoperating revenues increased by a net \$797,127 due to an increase of \$1,048,725 in facilities and administrative support and a contribution from City Colleges of Chicago, as well as a new federal grant for \$354,876. These increases were offset by a \$606,474 decrease in other grants received during the year, which was made up of private grants, grants from the State of Illinois, and grants from the CPB.

Revenues for fiscal year ended June 30, 2012

Operating revenues decreased by approximately \$100,000 in fiscal year 2012 due mainly to a decrease in both contribution revenue and production revenue. These decreases were a result of fewer contributors as well as fewer production clients and contracts during the year. Nonoperating revenues decreased by \$1,124,162. This decrease included a decrease in facilities and administrative support donated by City Colleges of Chicago of \$1,128,027 which was due to a change in the methodology of allocation of this support. Additionally, there was a decrease in contribution from City Colleges of Chicago of \$260,434 due to a decrease in the loss that is covered by this contribution. This decrease was offset by an increase of \$338,003 in private grants received which was due in part to a \$300,000 grant received from the Kellogg Foundation. Capital appropriations increased by \$612,490 during the year as WYCC-TV20 made more purchases of equipment than in the prior year.

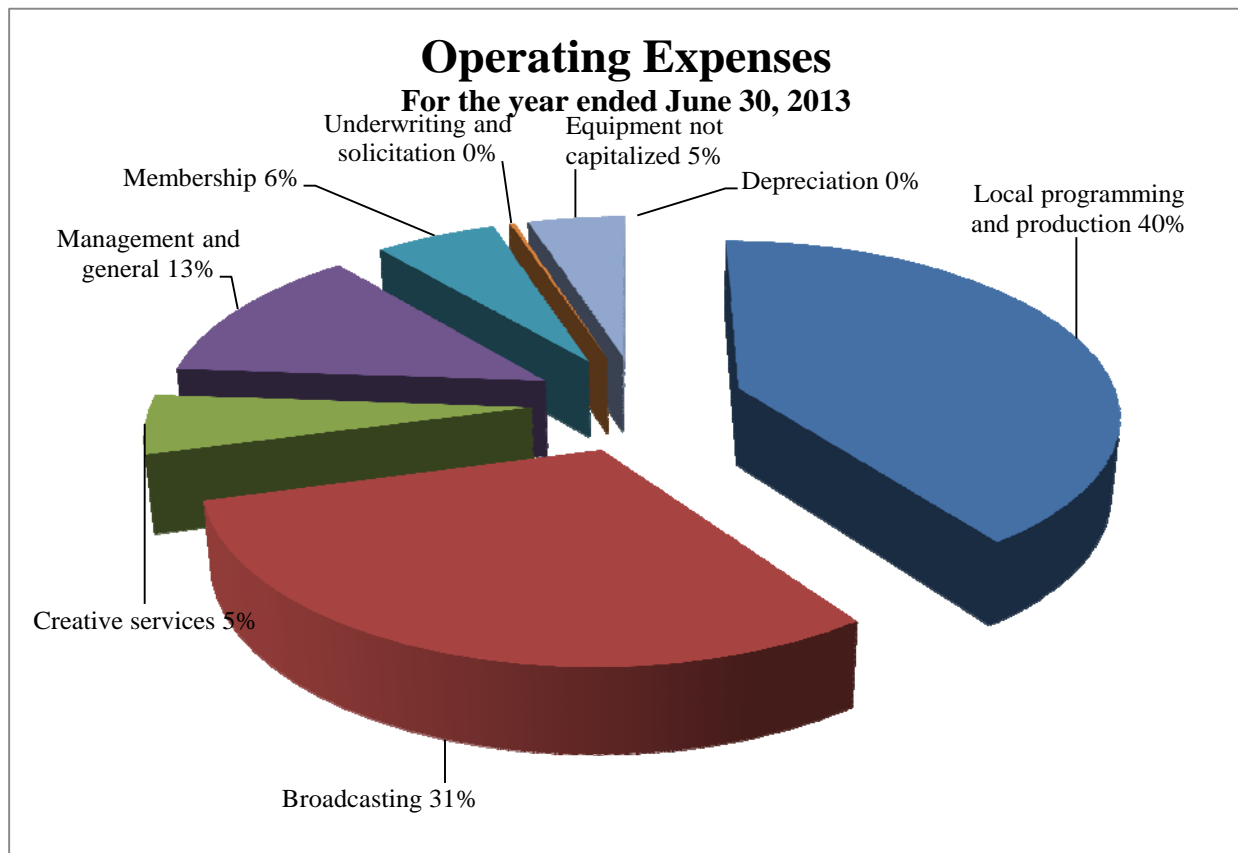
Operating Expenses for fiscal year ended June 30, 2013

The increase of \$971,311 in operating expenses is due to increases in all departments. Local programming and production had increases in salaries and professional services that were offset by a decrease in dues and membership. The decrease in broadcasting salaries and professional services were offset by a slight increase in lease-related occupancy costs and a large increase in dues and membership. The increase in Creative services was mainly due to salary expense. Management and general saw increases in salaries and other expenses that were offset by decreases in supplies and utilities. Membership had increases in salaries, professional services, supplies, and postage that were offset by a decrease in printing expenses. Capital outlay increased as more non-capitalized broadcasting equipment and electronic components were purchased during the year.

Operating Expenses for fiscal year ended June 30, 2012

Total expenses decreased by \$4,158,940 due to an aggregate decrease in departmental operating expenses of \$3,946,734, an \$82,467 decrease in noncapitalized equipment, as well as a \$129,739 decrease in depreciation over the prior year. The \$2,677,173 decrease in management and general expenses was due to an accrued legal liability from the prior year that was settled.

| Operating Expenses | 2013 | 2012 |
|----------------------------------|-------------------------|-------------------------|
| Local programming and production | \$ 3,015,860 | \$ 2,406,791 |
| Broadcasting | 2,301,487 | 2,053,420 |
| Creative services | 406,526 | 278,615 |
| Management and general | 962,609 | 835,562 |
| Membership | 450,430 | 377,790 |
| Underwriting and solicitation | 16,949 | 16,574 |
| Equipment not capitalized | 360,730 | 84,902 |
| Depreciation | <u>0</u> | <u>489,626</u> |
| Total operating expenses | <u>\$ 7,514,591</u> | <u>\$ 6,543,280</u> |



**CITY COLLEGES OF CHICAGO
COMMUNITY COLLEGE DISTRICT NO. 508
WYCC-TV20**

**STATEMENTS OF NET POSITION
AS OF JUNE 30, 2013 AND 2012**

| | 2013 | 2012 |
|---|---------------------|---------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 1,110,605 | \$ 2,064,980 |
| Receivable: | | |
| Grants | 357,038 | 134,496 |
| Due from affiliate | 250,000 | - |
| Other | 32,490 | 49,050 |
| Prepaid expenses | <u>27,833</u> | <u>44,202</u> |
| Total current assets | <u>1,777,966</u> | <u>2,292,728</u> |
| PROPERTY AND EQUIPMENT: | | |
| Capital assets not being depreciated | 54,600 | 488,167 |
| Capital assets being depreciated, net | <u>2,933,561</u> | <u>2,569,934</u> |
| Net property and equipment | <u>2,988,161</u> | <u>3,058,101</u> |
| TOTAL | <u>\$ 4,766,127</u> | <u>\$ 5,350,829</u> |
| LIABILITIES AND NET POSITION | | |
| LIABILITIES: | | |
| Accounts payable and accrued expenses | \$ 855,403 | \$ 1,105,122 |
| Deferred revenue | <u>886,341</u> | <u>601,438</u> |
| Total liabilities | <u>1,741,744</u> | <u>1,706,560</u> |
| NET POSITION: | | |
| Net investment in capital assets | 2,988,161 | 3,058,101 |
| Unrestricted | <u>36,222</u> | <u>586,168</u> |
| Total net position | <u>3,024,383</u> | <u>3,644,269</u> |
| TOTAL | <u>\$ 4,766,127</u> | <u>\$ 5,350,829</u> |

See notes to financial statements.

**CITY COLLEGES OF CHICAGO
COMMUNITY COLLEGE DISTRICT NO. 508
WYCC-TV20**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

| | 2013 | 2012 |
|--|---------------------|---------------------|
| OPERATING REVENUES: | | |
| Operating revenue | \$ 1,032,233 | \$ 724,254 |
| Net operating revenue | <u>1,032,233</u> | <u>724,254</u> |
| OPERATING EXPENSES: | | |
| Local programming and production | 3,015,860 | 2,406,791 |
| Broadcasting | 2,301,487 | 2,053,420 |
| Creative services | 406,526 | 278,615 |
| Management and general | 962,609 | 835,562 |
| Membership | 450,430 | 377,790 |
| Underwriting and solicitation | 16,949 | 16,574 |
| Equipment not capitalized | 360,730 | 84,902 |
| Depreciation | - | 489,626 |
| Total operating expenses | <u>7,514,591</u> | <u>6,543,280</u> |
| OPERATING LOSS | <u>(6,482,358)</u> | <u>(5,819,026)</u> |
| NONOPERATING REVENUES: | | |
| Contribution from City Colleges of Chicago | 2,536,996 | 1,888,691 |
| Facilities and administrative support donated by City Colleges of Chicago | 1,605,652 | 1,205,232 |
| Grants from the Corporation for Public Broadcasting | 807,638 | 1,027,659 |
| Federal grants | 354,876 | - |
| Grants from the State of Illinois | 132,419 | 180,636 |
| Private grants | 64,162 | 402,398 |
| Total nonoperating revenues | <u>5,501,743</u> | <u>4,704,616</u> |
| LOSS BEFORE CAPITAL APPROPRIATIONS | (980,615) | (1,114,410) |
| CAPITAL APPROPRIATIONS | <u>360,730</u> | <u>624,784</u> |
| CHANGE IN NET POSITION | (619,885) | (489,626) |
| NET POSITION — July 1 | <u>3,644,269</u> | <u>4,133,895</u> |
| NET POSITION — June 30 | <u>\$ 3,024,383</u> | <u>\$ 3,644,269</u> |

See notes to financial statements.

**CITY COLLEGES OF CHICAGO
COMMUNITY COLLEGE DISTRICT NO. 508
WYCC-TV20**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

| | 2013 | 2012 |
|---|-----------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Underwriting and membership | \$ 798,792 | \$ 699,602 |
| Payments to suppliers and employees | <u>(5,161,673)</u> | <u>(4,530,178)</u> |
| Net cash used in operating activities | <u>(4,362,881)</u> | <u>(3,830,576)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | |
| Contributions from City Colleges of Chicago | 2,536,996 | 1,888,691 |
| Nonoperating grants | <u>1,421,455</u> | <u>1,683,627</u> |
| Net cash provided by noncapital financing activities | <u>3,958,451</u> | <u>3,572,318</u> |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES | | |
| Capital appropriations | - | 539,882 |
| (Acquisition)/disposal of capital assets | <u>(549,945)</u> | <u>(21,288)</u> |
| Net cash provided by (used in) capital financing activities | <u>(549,945)</u> | <u>518,594</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (954,375) | 260,336 |
| CASH AND CASH EQUIVALENTS — July 1 | <u>2,064,980</u> | <u>1,804,644</u> |
| CASH AND CASH EQUIVALENTS — June 30 | <u>\$ 1,110,605</u> | <u>\$ 2,064,980</u> |
| RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES: | | |
| Operating loss | <u>\$ (6,482,358)</u> | <u>\$ (5,819,026)</u> |
| Adjustments to reconcile: | | |
| Equipment not capitalized paid for by City Colleges of Chicago | 360,730 | 84,902 |
| Depreciation | 619,885 | 489,626 |
| Facilities and administrative support donated by City Colleges of Chicago | 1,605,652 | 1,205,232 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (233,440) | (24,652) |
| Prepaid expenses | 16,369 | - |
| Accounts payable and accrued expenses | <u>(249,719)</u> | <u>233,342</u> |
| Total adjustments to reconcile | <u>2,119,477</u> | <u>1,988,450</u> |
| NET CASH USED IN OPERATING ACTIVITIES | <u>\$ (4,362,881)</u> | <u>\$ (3,830,576)</u> |

See notes to financial statements.

**CITY COLLEGES OF CHICAGO
COMMUNITY COLLEGE DISTRICT NO. 508
WYCC-TV20**

**NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

1. NATURE OF OPERATIONS

WYCC-TV20 is a 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 (GAAP). The financial statements presented are only for WYCC-TV20, a department of City Colleges, and are not intended to present the financial positions, results of operations, or cash flows of City Colleges.

The financial statements of WYCC-TV20 have been prepared using the economic resources measurement focus and the accrual basis of accounting. Grant funds received are reported as revenue when earned. Grant funds that are attributable to future periods are reported as deferred revenue. Expenses are recorded when the liability is incurred.

Use of Estimates — The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent 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.

Cash and Cash Equivalents — To better manage the resources of WYCC-TV20, all of its cash and cash equivalents are accounted for on a pooled basis. Cash and cash equivalents at June 30, 2013 and 2012, represent WYCC-TV20's share of City Colleges' pooled cash and cash equivalents, which include demand deposits and short-term investments with original maturities of three months or less.

Receivables — Receivables include amounts due from the federal government and private grantors in connection with reimbursement of allowable expenditures made pursuant to WYCC-TV20's grants and contract agreements. Receivables also include amounts due from production and underwriting clients as well as a bequest from an affiliate.

Prepaid Expenses — Prepaid expenses represent amounts paid as of June 30 whose recognition is postponed to a future period. Prepaid expenses consist primarily of prepayments to vendors for maintenance contracts.

**CITY COLLEGES OF CHICAGO
COMMUNITY COLLEGE DISTRICT NO. 508
WYCC-TV20**

**NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues and Expenses — WYCC-TV20 distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with WYCC-TV20's principal ongoing operations. The principal operating revenues of WYCC-TV20 are charges to customers for underwriting and production services, as well as revenues received from membership and contributions from donors. Operating expenses include cost of services, payments to suppliers and employees, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Donated Facilities and Administrative Support — Donated facilities by City Colleges, consisting of office and studio space and related occupancy costs, are recorded in revenues and expenses based on allocations of actual expenses of City Colleges. Administrative support from City Colleges consists of allocated financial and administrative costs and certain other expenses incurred by City Colleges on behalf of WYCC-TV20.

Contribution from City Colleges of Chicago — The level of contribution from City Colleges recognized as revenue by WYCC-TV20 is the amount necessary to result in a change in total net position equal to the difference between the noncash depreciation expense and the resources from capital appropriations and grants.

Capital Assets — Capital assets are recorded at cost on the date of acquisition, or at fair value in the case of gifts. Purchases of capital assets below \$25,000 are recorded as operating expenses. Equipment which has a cost or net book value of \$25,000 or more with an estimated useful life greater than one year is capitalized. Depreciation of capital assets is computed using the straight-line method assuming the following useful lives:

| Asset | Years |
|--------------------------------|--------------|
| Radio and television equipment | 8–10 |
| Other equipment | 3–5 |
| Software | 4 |

Net Position — The Statement of Net Position presents WYCC-TV20's assets and liabilities with the difference reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets (if any).

**CITY COLLEGES OF CHICAGO
COMMUNITY COLLEGE DISTRICT NO. 508
WYCC-TV20**

**NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted net position results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position that does not meet the criteria of the two preceding categories.

When both restricted and unrestricted resources are available for a specific use, it is WYCC-TV20's policy to use restricted resources first, then unrestricted resources as they are needed.

3. CAPITAL ASSETS

WYCC-TV20's major capital asset is its transmitter and antenna which has an estimated life of eight years and is depreciated using the straight-line method. Expenses for repairs and maintenance are charged to operations as incurred.

A summary of changes in the capital assets for fiscal year 2013 is as follows:

| | Beginning Balance | Disposals, Adjustments, and Transfers Out | Additions and Transfers in | Ending Balance |
|---------------------------------------|----------------------|---|----------------------------------|---------------------|
| Capital assets not being depreciated: | | | | |
| Construction in progress | \$ 488,167 | \$ (45,776) | \$ - | \$ 442,391 |
| Capital assets being depreciated: | | | | |
| Equipment | 4,976,343 | - | 107,554 | 5,083,897 |
| Software | 54,600 | - | 488,167 | 542,767 |
| Accumulated depreciation | (2,461,009) | - | (619,885) | (3,080,894) |
| Capital assets being depreciated, net | 2,569,934 | - | (24,164) | 2,545,770 |
| Net book value | <u>\$ 3,058,101</u> | <u>\$ (45,776)</u> | <u>\$ (24,164)</u> | <u>\$ 2,988,161</u> |

**CITY COLLEGES OF CHICAGO
COMMUNITY COLLEGE DISTRICT NO. 508
WYCC-TV20**

**NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

3. CAPITAL ASSETS (CONTINUED)

A summary of changes in the capital assets for fiscal year 2012 is as follows:

| | Beginning Balance | Disposals, Adjustments, and Transfers Out | Additions and Transfers in | Ending Balance |
|---------------------------------------|------------------------------|--|---|---------------------------|
| Capital assets not being depreciated: | | | | |
| Construction in progress | \$ - | \$ - | \$ 488,167 | \$ 488,167 |
| Capital assets being depreciated: | | | | |
| Equipment | 4,924,628 | - | 51,715 | 4,976,343 |
| Software | <u>54,600</u> | <u>-</u> | <u>-</u> | <u>54,600</u> |
| Accumulated depreciation | <u>(1,971,383)</u> | <u>-</u> | <u>(489,626)</u> | <u>(2,461,009)</u> |
| Capital assets being depreciated, net | <u>3,007,845</u> | <u>-</u> | <u>(437,911)</u> | <u>2,569,934</u> |
| Net book value | <u>\$ 3,007,845</u> | <u>\$ -</u> | <u>\$ 50,256</u> | <u>\$ 3,058,101</u> |

4. LEASES

On October 1, 1999, City Colleges, on behalf of WYCC-TV20, 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 amended the original agreement to lease additional space. The agreement is due to expire on September 30, 2014. Lease expense for the years ended June 30, 2013 and 2012, totaled \$624,856 and \$603,712, respectively.

A schedule by year of future minimum lease rental payments required under the lease agreement as of June 30, 2013, is as follows:

| Year Ending June 30 | Amount |
|--------------------------------|-------------------|
| 2014 | \$ 641,761 |
| 2015 | <u>161,979</u> |
| Total | <u>\$ 803,740</u> |

**CITY COLLEGES OF CHICAGO
COMMUNITY COLLEGE DISTRICT NO. 508
WYCC-TV20**

**NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

5. LIABILITIES

Due to an error in the methodology used by WYCC-TV20 to calculate its Facilities and Administrative Support for fiscal years 2010 and 2011, the Corporation for Public Broadcasting will decrease funding to the station by \$242,973 over the next two fiscal years, \$121,487 in fiscal year 2014 and \$121,486 in fiscal year 2015. The station has corrected this methodology beginning with fiscal year 2012 and implemented controls to prevent future errors.

6. COMMITMENTS AND CONTINGENCIES

City Colleges is a defendant in litigation under various matters arising in the ordinary course of business. As an operating department of City Colleges, WYCC-TV20 could be named in these matters.

WYCC-TV20 is currently the defendant in one lawsuit. The potential outcome of this case is uncertain at this time; however, in the opinion of management, this case will be vigorously defended and resolved without any material adverse effect on the financial position of WYCC-TV20.

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SUPPLEMENTARY INFORMATION

**CITY COLLEGES OF CHICAGO
COMMUNITY COLLEGE DISTRICT NO. 508
WYCC-TV20**

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013**

| | Program Services | | | Supporting Services | | | | Total |
|-----------------------------------|----------------------------------|---------------------|-------------------|------------------------|-------------------|-------------------------------|-------------------|---------------------|
| | Local Programming and Production | Broadcasting | Creative Services | Management and General | Membership | Underwriting and Solicitation | Capital Outlay | |
| EXPENSES: | | | | | | | | |
| Salaries and taxes | \$ 1,181,049 | \$ 741,086 | \$ 399,517 | \$ 703,545 | \$ 126,619 | \$ 14,475 | \$ - | \$ 3,166,291 |
| Professional services | 349,502 | 292,230 | - | 26,373 | 39,569 | - | - | 707,674 |
| Supplies | 23,219 | 30,774 | 1,328 | 166,775 | 33,667 | 273 | - | 256,036 |
| Telephone and utilities | - | - | - | 50,652 | - | - | - | 50,652 |
| Postage and delivery | 762 | - | - | 7,821 | 42,452 | - | - | 51,035 |
| Printing and publications | 186 | - | - | - | 187,646 | - | - | 187,832 |
| Advertising | - | - | - | - | 13,536 | - | - | 13,536 |
| Rental and equipment maintainance | 101 | - | - | 795 | 663 | - | - | 1,559 |
| Occupancy | 398 | 826,191 | - | 286 | - | - | - | 826,875 |
| Travel | 5,571 | - | 5,681 | 2,418 | - | 2,201 | - | 15,871 |
| Dues and membership | 957,009 | 254,474 | - | 1,553 | - | - | - | 1,213,036 |
| Other expenses | 37,301 | - | - | - | 6,278 | - | - | 43,579 |
| Depreciation | 460,762 | 156,732 | - | 2,391 | - | - | - | 619,885 |
| Equipment | - | - | - | - | - | - | 360,730 | 360,730 |
| TOTAL EXPENSES | <u>\$ 3,015,860</u> | <u>\$ 2,301,487</u> | <u>\$ 406,526</u> | <u>\$ 962,609</u> | <u>\$ 450,430</u> | <u>\$ 16,949</u> | <u>\$ 360,730</u> | <u>\$ 7,514,591</u> |

**CITY COLLEGES OF CHICAGO
COMMUNITY COLLEGE DISTRICT NO. 508
WYCC-TV20**

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012**

| | Program Services | | | Supporting Services | | | Capital Outlay | Total |
|---------------------------------|--|---------------------|----------------------|------------------------------|-------------------|-------------------------------------|-------------------|---------------------|
| | Local Programming and Production | Broadcasting | Creative Services | Management and General | Membership | Underwriting and Solicitation | | |
| EXPENSES: | | | | | | | | |
| Salaries and taxes | \$ 885,538 | \$ 860,472 | \$ 277,487 | \$ 420,660 | \$ 105,314 | \$ 16,574 | \$ - | \$ 2,566,045 |
| Professional services | 152,676 | 349,821 | - | 3,066 | 28,352 | - | - | 533,915 |
| Supplies | 10,057 | 33,908 | - | 332,531 | 11,075 | - | - | 387,571 |
| Telephone and utilities | - | - | - | 67,047 | - | - | - | 67,047 |
| Postage and delivery | 7,697 | 236 | - | (49) | 17,750 | - | - | 25,634 |
| Printing and publications | - | - | - | - | 196,443 | - | - | 196,443 |
| Advertising | - | - | - | - | 13,524 | - | - | 13,524 |
| Rental and equipment maintnance | 3,976 | - | - | 4,699 | - | - | - | 8,675 |
| Occupancy | 4,452 | 752,007 | - | - | - | - | - | 756,459 |
| Travel | 913 | 13,193 | - | 7,276 | - | - | - | 21,382 |
| Dues and membership | 1,034,321 | 43,783 | 1,128 | 332 | - | - | - | 1,079,564 |
| Other expenses | 307,161 | - | - | - | 5,332 | - | - | 312,493 |
| Depreciation | - | - | - | - | - | - | - | 489,626 |
| Equipment | - | - | - | - | - | - | 84,902 | 84,902 |
| TOTAL EXPENSES | <u>\$ 2,406,791</u> | <u>\$ 2,053,420</u> | <u>\$ 278,615</u> | <u>\$ 835,562</u> | <u>\$ 377,790</u> | <u>\$ 16,574</u> | <u>\$ 84,902</u> | <u>\$ 6,543,280</u> |