

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

*Financial Statements and Required Supplementary
Information as of and for the
Years Ended June 30, 2005 and June 30, 2004
Independent Auditors' Report*

INDEPENDENT AUDITORS' REPORT

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

We have audited the basic financial statements of WYCC-TV20 of the City Colleges of Chicago—Community College District No. 508 (“City Colleges”) as of June 30, 2005 and 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-TV20’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 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-TV20’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 audits provide a reasonable basis for our opinion.

As discussed in Note 2, the basic financial statements referred to above present only WYCC-TV20 and are not intended to present the financial position of City Colleges, the results of its operations and its cash flows in conformity with accounting principles generally accepted in the United States.

In our opinion, such financial statements present fairly, in all material respects, the financial position of WYCC-TV20 of the City Colleges of Chicago—Community College District No. 508 as of June 30, 2005 and June 30, 2004, and the results of its operations and its cash flows for the years 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 statements of functional expenses are presented for purposes of additional analysis. This information is the responsibility of WYCC-TV20’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 2–6 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-TV20’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

December 22, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 WISE television production and programming.

Using This Annual Report

This section of WYCC-TV20’s Annual Financial Report represents management’s discussion and analysis of WYCC-TV20’s financial activity during the fiscal years ended June 30, 2005 and June 30, 2004. The management’s discussion and analysis focuses on current activities and currently known facts of WYCC-TV20 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-TV20’s statements of net assets, which are presented on an accrual basis whereby assets are capitalized and depreciated.

WYCC-TV20 is an account within the City Colleges of Chicago District No. 508’s funds.

WYCC-TV20 receives a substantial portion of its annual funding from City Colleges, the Corporation for Public Broadcasting, and the State of Illinois.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Net Assets

2005 – Current assets and current liabilities decreased due to the utilization of state and Corporation for Public Broadcasting grants. Depreciation for 2005 of \$360,762 less capital additions of \$139,265 has the effect of increasing accumulated depreciation, reducing non-current assets, and reducing net assets invested in capital assets.

2004 - 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.

Net Assets	2005	2004	2003
Current assets	\$ 1,797,251	\$ 2,210,584	\$ 1,860,108
Capital assets	2,928,747	2,789,482	2,752,822
Less accumulated depreciation	<u>(790,596)</u>	<u>(429,834)</u>	<u>(91,052)</u>
Total assets	3,935,402	4,570,232	4,521,878
Liabilities	<u>1,201,436</u>	<u>1,614,769</u>	<u>1,249,293</u>
Net assets:			
Invested in capital assets, net of related debt	2,138,151	2,359,648	2,661,770
Unrestricted	<u>595,815</u>	<u>595,815</u>	<u>610,815</u>
Total net assets	<u>\$ 2,733,966</u>	<u>\$ 2,955,463</u>	<u>\$ 3,272,585</u>
Revenues, Expenses, and Changes in Net Assets	2005	2004	2003
Operating revenues	\$ 363,793	\$ 283,229	\$ 301,009
Operating expenses	<u>(5,488,117)</u>	<u>(5,708,463)</u>	<u>(5,866,127)</u>
Operating loss	(5,124,324)	(5,425,234)	(5,565,118)
Nonoperating revenues	<u>4,763,562</u>	<u>5,071,452</u>	<u>5,281,086</u>
Loss before capital appropriations and grants	(360,762)	(353,782)	(284,032)
Capital appropriations and grants	<u>139,265</u>	<u>36,660</u>	<u>2,937,820</u>
Change in net assets	(221,497)	(317,122)	2,653,788
Net assets, beginning of year	<u>2,955,463</u>	<u>3,272,585</u>	<u>618,797</u>
Net assets, end of year	<u>\$ 2,733,966</u>	<u>\$ 2,955,463</u>	<u>\$ 3,272,585</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

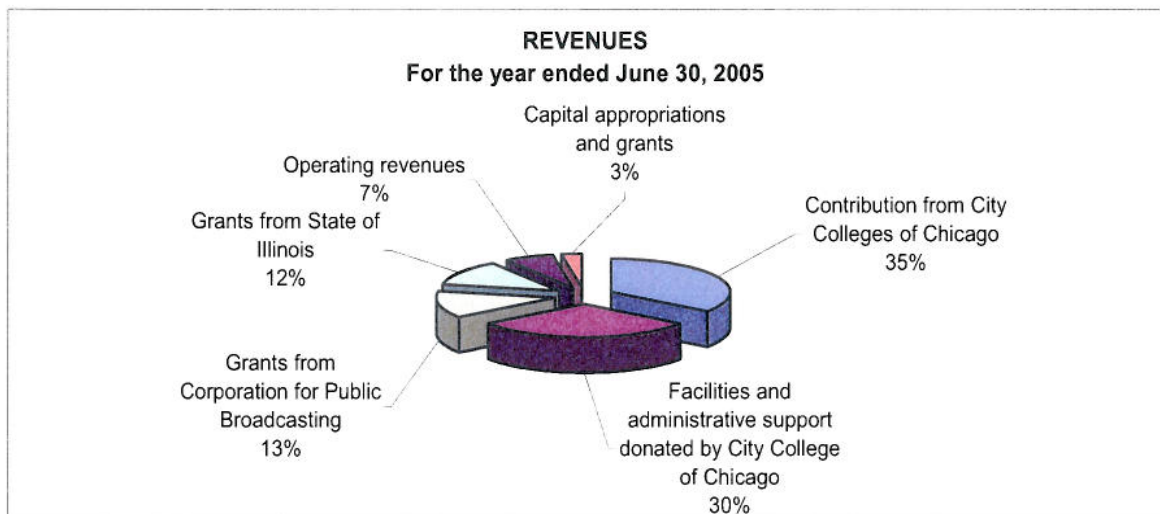
Revenues, Expenses and Changes in Net Assets as of June 30, 2005

Loss before capital appropriations and grants in 2005 exactly reflects the amount of depreciation recorded for the year. See the detail discussions in revenues and expenses for changes between 2005 and 2004. Below is a graphical illustration of revenues and expenses:

Revenues, Expenses and Changes in Net Assets as of June 30, 2004

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.

Total Revenues	2005	2004	2003
Contribution from City Colleges of Chicago	\$ 1,841,847	\$ 2,455,317	\$ 2,666,990
Facilities and administrative support donated by City Colleges of Chicago	1,580,275	1,709,372	2,235,331
Grants from Corporation for Public Broadcasting	695,234	571,063	66,120
Grants from State of Illinois	646,206	335,700	312,645
Operating revenues	363,793	283,229	301,009
Capital appropriations and grants	<u>139,265</u>	<u>36,660</u>	<u>2,937,820</u>
Total revenues	<u>\$ 5,266,620</u>	<u>\$ 5,391,341</u>	<u>\$ 8,519,915</u>
Operating revenues	\$ 363,793	\$ 283,229	\$ 301,009
Nonoperating revenues	4,763,562	5,071,452	5,281,086
Capital appropriations and grants	<u>139,265</u>	<u>36,660</u>	<u>2,937,820</u>
Total revenues	<u>\$ 5,266,620</u>	<u>\$ 5,391,341</u>	<u>\$ 8,519,915</u>



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Revenues as of June 30, 2005

Operating Revenues increased \$80,000 due to expanded program support. Non-operating revenue decreased \$300,000 due to lower operating costs. Capital grants increased as the District funded more capital equipment.

Revenues as of June 30, 2004

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-TV20 in the conversion to digital transmission. In 2004, WYCC-TV20 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.

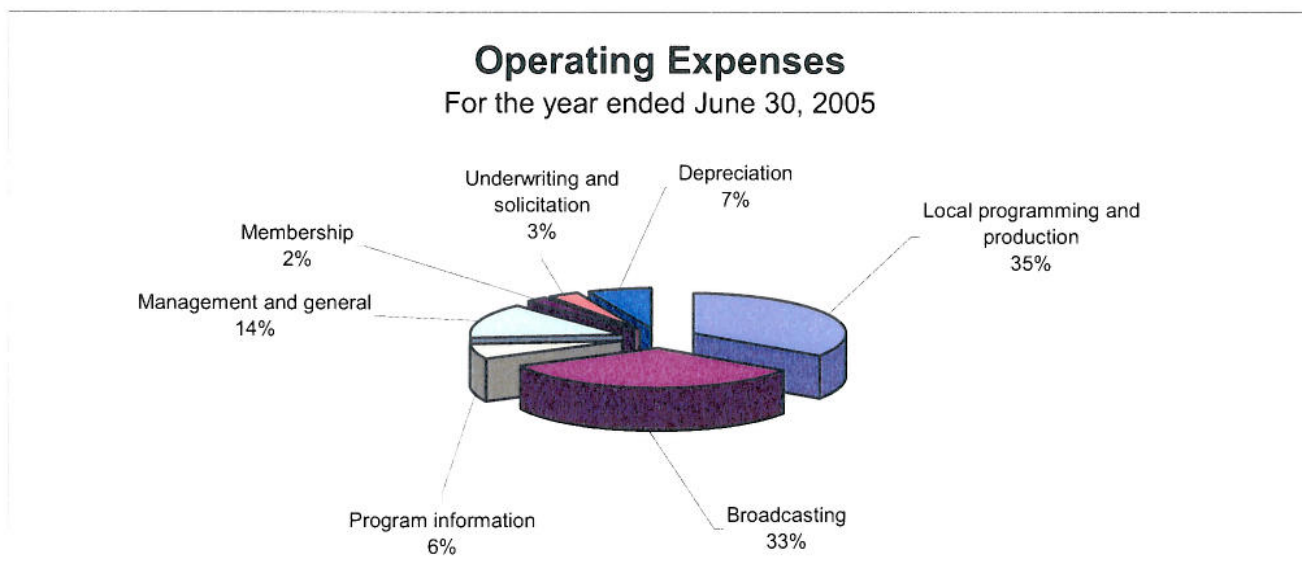
Operating Expenses

2005 – Local programming and production expenses decreased due to lower professional services. All other expenses are generally consistent with those of 2004, except in 2004, WYCC-TV20 incurred professional service and supplies expenses of over \$50,000 on an upgrade of the station's brand name and logo.

2004 - 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-TV20 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. Deprecation expense increased by approximately \$282,000 from 2003 to 2004 because 12 months of deprecation was recorded in 2004 compared with only 2 months of deprecation in 2003 because the equipment was not put into service until May 2003.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Operating Expenses	2005	2004	2003
Local programming and production	\$ 1,883,703	\$ 2,221,017	\$ 1,841,557
Broadcasting	1,821,244	1,726,167	2,073,279
Program information	331,277	245,787	139,632
Management and general	786,404	751,072	900,994
Membership	114,061	166,579	239,122
Underwriting and solicitation	190,666	259,059	615,079
Depreciation	<u>360,762</u>	<u>338,782</u>	<u>56,461</u>
 Total operating expenses	 5,488,117	 5,708,463	 5,866,124
Less depreciation	(360,762)	(338,782)	(56,461)
Plus capital outlay	<u>139,265</u>	<u>36,660</u>	<u>2,710,252</u>
 Functional expenses	 <u>\$ 5,266,620</u>	 <u>\$ 5,406,341</u>	 <u>\$ 8,519,915</u>



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

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

ASSETS	2005	2004
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,735,120	\$ 1,892,705
Accounts receivable	62,131	47,879
Prepaid expenses	-	270,000
Total current assets	<u>1,797,251</u>	<u>2,210,584</u>
PROPERTY AND EQUIPMENT:		
Capital assets	2,928,747	2,789,482
Accumulated depreciation	<u>(790,596)</u>	<u>(429,834)</u>
Total property and equipment	<u>2,138,151</u>	<u>2,359,648</u>
TOTAL	<u>\$ 3,935,402</u>	<u>\$ 4,570,232</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 231,836	\$ 106,647
Deferred revenue	<u>969,600</u>	<u>1,508,122</u>
Total liabilities	<u>1,201,436</u>	<u>1,614,769</u>
NET ASSETS:		
Invested in capital assets, net of related debt	2,138,151	2,359,648
Unrestricted	<u>595,815</u>	<u>595,815</u>
Total net assets	<u>2,733,966</u>	<u>2,955,463</u>
TOTAL	<u>\$ 3,935,402</u>	<u>\$ 4,570,232</u>

See notes to basic financial statements.

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

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

	2005	2004
OPERATING REVENUES	\$ 363,793	\$ 283,229
OPERATING EXPENSES:		
Local programming and production	1,883,703	2,221,017
Broadcasting	1,821,244	1,726,167
Program information	331,277	245,787
Management and general	786,404	751,072
Membership	114,061	166,579
Underwriting and solicitation	190,666	259,059
Depreciation	360,762	338,782
Total operating expenses	<u>5,488,117</u>	<u>5,708,463</u>
OPERATING LOSS	<u>(5,124,324)</u>	<u>(5,425,234)</u>
NONOPERATING REVENUES:		
Contribution from City Colleges of Chicago	1,841,847	2,455,317
Facilities and administrative support donated by City Colleges of Chicago	1,580,275	1,709,372
Grants from the Corporation for Public Broadcasting	695,234	571,063
Grants from the State of Illinois	646,206	335,700
Nonoperating revenues	<u>4,763,562</u>	<u>5,071,452</u>
LOSS BEFORE CAPITAL APPROPRIATIONS AND GRANTS	(360,762)	(353,782)
CAPITAL APPROPRIATIONS AND GRANTS	<u>139,265</u>	<u>36,660</u>
CHANGE IN NET ASSETS	(221,497)	(317,122)
NET ASSETS—July 1 (as restated)	<u>2,955,463</u>	<u>3,272,585</u>
NET ASSETS—June 30	<u>\$ 2,733,966</u>	<u>\$ 2,955,463</u>

See notes to basic financial statements.

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

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

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Underwriting and membership	\$ 349,542	\$ 251,049
Payments to suppliers and employees	<u>(3,151,892)</u>	<u>(3,992,441)</u>
Net cash used in operating activities	<u>(2,802,350)</u>	<u>(3,741,392)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Contributions from City Colleges of Chicago	1,841,847	2,455,317
Grant contributions	<u>802,918</u>	<u>1,499,201</u>
Net cash flows provided by noncapital financing activities	<u>2,644,765</u>	<u>3,954,518</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Capital appropriations and grants	139,265	36,660
Purchase of capital assets	<u>(139,265)</u>	<u>(36,660)</u>
Net cash flows from capital financing activities	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(157,585)	213,126
CASH—July 1 (as restated)	<u>1,892,705</u>	<u>1,679,579</u>
CASH—June 30	<u>\$ 1,735,120</u>	<u>\$ 1,892,705</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (5,124,324)	\$ (5,425,234)
Adjustments to reconcile:		
Depreciation	360,762	338,782
Facilities and administrative support donated by City Colleges of Chicago	1,580,275	1,709,372
Changes in assets and liabilities:		
Accounts receivable	(14,252)	(32,180)
Prepaid expenses	270,000	(270,000)
Accounts payable and accrued expenses	<u>125,189</u>	<u>(62,132)</u>
Total adjustments	<u>2,321,974</u>	<u>1,683,842</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (2,802,350)</u>	<u>\$ (3,741,392)</u>

See notes to basic financial statements.

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

**NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005**

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. The financial statements presented are only for WYCC-TV20, and are not intended to present the financial positions or results of operation of City Colleges.

The financial statements of WYCC-TV20 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 the June 30 fiscal year end.

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. Cash at June 30, 2005 and June 30, 2004 represents WYCC-TV20’s share of the pooled cash.

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 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-TV20.

Contribution from the 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 assets equal to the difference between the non-cash depreciation expense and the resources from capital appropriations and grants.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

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-TV20 followed City Colleges’ capitalization policy of \$5,000 per item for past and future furniture and equipment and recorded accumulated depreciation to date. WYCC-TV20 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 2005 and 2004:

	Beginning Balance	Disposals	Additions	Ending Balance
Cost	\$2,789,482	\$ -	\$ 139,265	\$2,928,747
Accumulated depreciation	<u>(429,834)</u>	<u> </u>	<u>(360,762)</u>	<u>(790,596)</u>
Net book value June 30, 2005	<u>\$2,359,648</u>	<u>\$ -</u>	<u>\$(221,497)</u>	<u>\$2,138,151</u>
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 June 30, 2004	<u>\$2,661,770</u>	<u>\$ -</u>	<u>\$(302,122)</u>	<u>\$2,359,648</u>

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

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 years ended June 30, 2005 and 2004 totaled \$508,456 and \$519,894, respectively.

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

Year Ending June 30	Amount
2006	\$ 522,924
2007	538,612
2008	554,770
2009	556,487
2010 to 2014	3,027,252
2015	161,980
Total at June 30, 2005	<u><u>\$ 5,362,025</u></u>

4. SUBSEQUENT EVENTS

WYCC-TV20 Federal Communications Commission (FCC) license to broadcast expired on December 1st, 2005 and is operating on a temporary license pending approval by the FCC of its renewal application filed on July 27th, 2005. All Chicago-based television stations' renewal applications have been included in a blanket challenge by a third party. The District and its outside FCC counsel believe that the challenge is without merit.

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

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2005**

	Program Services			Supporting Services		Membership	Underwriting & Solicitation	Capital Outlay	Total
	Local Programming & Production	Broadcasting	Program Information	Management & General					
Expenses:									
Salaries and taxes	\$ 1,077,893	\$ 733,055	\$ 151,825	\$ 566,416	\$ 11,956	\$ 87,232	\$ -	\$ 2,628,377	
Professional services	176,711	93,636	487	27,786	79,539	28,951		407,110	
Supplies	112,121	141,730	15,593	81,161	12,856	56,365		419,826	
Telephone and utilities		113,775		15,827				129,602	
Postage and delivery	613	2,288	441	28,500	22	17,658		49,522	
Printing and publications	3,127		161,298					164,425	
Advertising	4,367			2,945				7,312	
Rental and equipment maintenance	10,253			260				10,513	
Occupancy		734,981						734,981	
Travel	18,782	1,779	500	22,481	9,688	460		53,690	
Dues and membership	479,836		1,133	41,028				521,997	
Equipment							139,265	139,265	
Total expenses	<u>\$ 1,883,703</u>	<u>\$ 1,821,244</u>	<u>\$ 331,277</u>	<u>\$ 786,404</u>	<u>\$ 114,061</u>	<u>\$ 190,666</u>	<u>\$ 139,265</u>	<u>\$ 5,266,620</u>	

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

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

	Program Services			Supporting Services			Capital Outlay	Total
	Local Programming & Production	Broadcasting	Program Information	Management & General	Membership	Underwriting & Solicitation		
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				138,932
Postage and delivery	1,680			24,128	8,679			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	443,189			29,852	18,209	5,107		496,357
Equipment							36,600	36,600
Total expenses	<u>\$ 2,221,017</u>	<u>\$ 1,726,167</u>	<u>\$ 245,787</u>	<u>\$ 751,072</u>	<u>\$ 166,579</u>	<u>\$ 259,059</u>	<u>\$ 36,600</u>	<u>\$ 5,406,281</u>