

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

*Financial Statements and Required Supplementary
Information as of and for the Year Ended June 30, 2007,
and Independent Auditors' Report*

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

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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, 2007, 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 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-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 audit provides 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 of America.

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, 2007, 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 on page 15 is 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 3 to 7 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

November 21, 2007

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 year ended June 30, 2007. Management’s discussion and analysis focuses on current activities and currently known facts of WYCC-TV20 as a separate reporting unit of City Colleges. Responsibility for the completeness and fairness of this information rests with the management of WYCC-TV20 and City Colleges.

Statement of Revenues, Expenses and Changes in Net Assets

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 the accrual basis of accounting.

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

In June 2007, WYCC-TV20 moved its operations from Daley College to the new Kennedy-King College campus.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Net Assets

2007 – Capital assets and accounts payable increased by \$803,000 due to the purchase of a camera system that is reflected in Construction-in-Progress and will be capitalized in 2008. Depreciation for 2007 of \$365,612 had the effect of increasing accumulated depreciation, reducing non-current assets, and reducing net assets invested in capital assets.

Net Assets	
Current assets	\$ 2,434,920
Capital assets	3,885,868
Less accumulated depreciation	<u>(1,406,526)</u>
Total assets	4,914,262
Liabilities	<u>1,839,105</u>
Net assets:	
Invested in capital assets, net of related debt	2,479,342
Unrestricted	<u>595,815</u>
Total net assets	<u>\$ 3,075,157</u>

Revenues, Expenses, and Changes in Net Assets

Operating revenues (net)	\$ 715,140
Operating expenses	<u>(6,223,436)</u>
Operating loss	(5,508,296)
Nonoperating revenues	<u>5,142,684</u>
Loss before capital appropriations and grants	(365,612)
Capital appropriations and grants	<u>1,180,532</u>
Change in net assets	814,920
Net assets, beginning of year	<u>2,260,237</u>
Net assets, end of year	<u>\$ 3,075,157</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

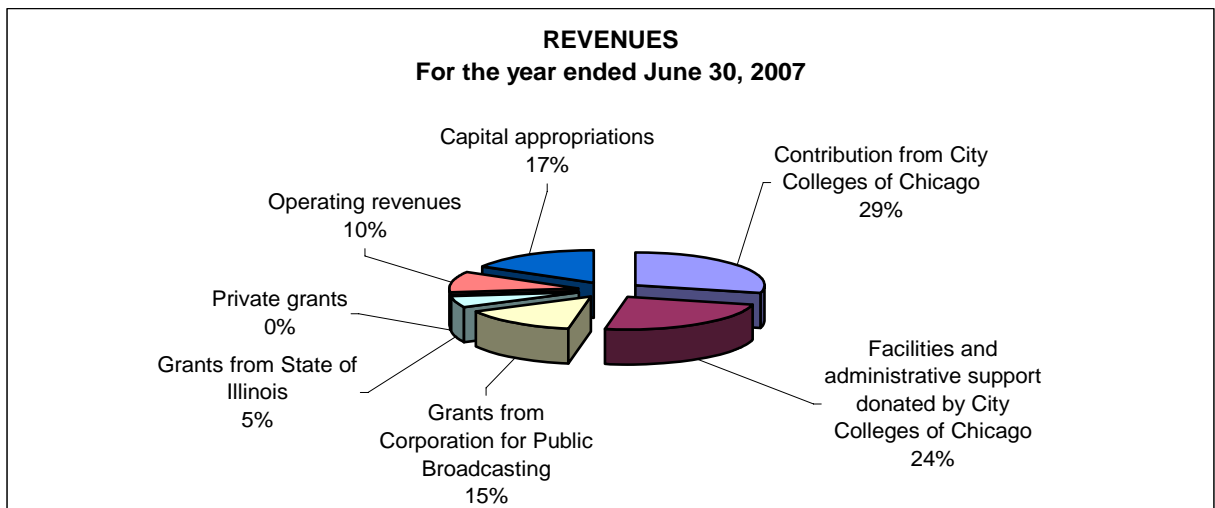
Revenues, Expenses and Changes in Net Assets as of June 30, 2007

Loss before capital appropriations and grants in 2007 exactly reflects the amount of depreciation recorded for the year. See the detail discussions in revenues and expenses for changes between 2007 and 2006.

Below is a graphical illustration of revenues and expenses:

Total Revenues

Contribution from City Colleges of Chicago	\$ 2,033,631
Facilities and administrative support donated by City Colleges of Chicago	1,673,634
Grants from Corporation for Public Broadcasting	1,047,845
Grants from State of Illinois	383,464
Private grants	4,110
Operating revenues (net)	715,140
Capital appropriations	<u>1,180,532</u>
 Total revenues	 <u>\$ 7,038,356</u>
 Operating revenues (net)	 \$ 715,140
Nonoperating revenues	5,142,684
Capital appropriations	<u>1,180,532</u>
 Total revenues	 <u>\$ 7,038,356</u>



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Revenues for fiscal year ending June 30, 2007

Operating revenues increased by \$78,000 due to expanded program support. Non-operating revenue decreased by \$1,000,000 due to lower operating costs as WYCC-TV20 prepared for its move from Daley College to the new Kennedy-King College campus, as well as a \$196,000 net decrease in grants received. Capital grants increased as the City Colleges of Chicago started funding more capital equipment for the new studios at the new Kennedy-King College campus.

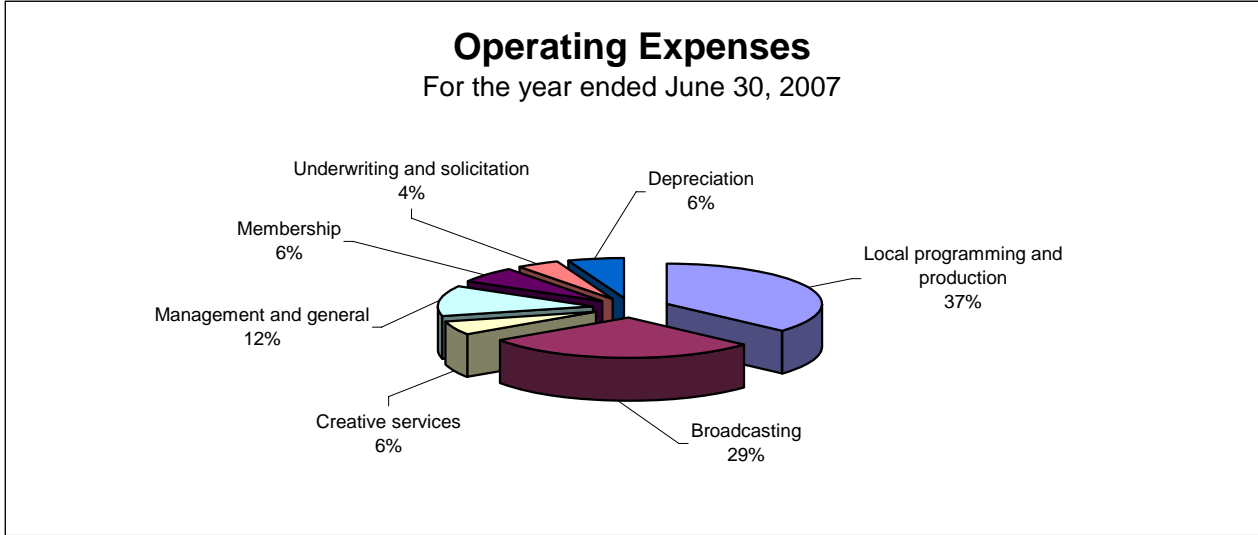
Operating Expenses for fiscal year ending June 30, 2007

Total expenses are down \$1,050,000 due to reduced production scheduling in anticipation of the move to the new facility. For example, professional services decreased \$125,000 and supplies decreased \$250,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Operating Expenses

Local programming and production	\$ 2,275,708
Broadcasting	1,800,913
Creative services	348,945
Management and general	768,691
Membership	385,832
Underwriting and solicitation	277,735
Depreciation	<u>365,612</u>
 Total operating expenses	 6,223,436
 Less depreciation	 (365,612)
Plus capital appropriations	<u>1,180,532</u>
 Functional expenses	 <u>\$ 7,038,356</u>



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

**STATEMENT OF NET ASSETS
AS OF JUNE 30, 2007**

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 2,409,970
Accounts receivable	<u>24,950</u>
Total current assets	<u>2,434,920</u>

PROPERTY AND EQUIPMENT — Net

Capital assets and construction in progress	3,885,868
Accumulated depreciation	<u>(1,406,526)</u>
Property and equipment — net	<u>2,479,342</u>

TOTAL \$ 4,914,262

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable and accrued expenses	\$ 1,166,885
Deferred revenue	<u>672,220</u>
Total liabilities	<u>1,839,105</u>

NET ASSETS:

Invested in capital assets — net of related debt	2,479,342
Unrestricted	<u>595,815</u>
Total net assets	<u>3,075,157</u>

TOTAL \$ 4,914,262

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, 2007**

OPERATING REVENUES:	
Operating revenue	\$ 719,448
Less sales discounts	<u>(4,308)</u>
Net operating revenues	<u>715,140</u>
OPERATING EXPENSES:	
Local programming and production	2,275,708
Broadcasting	1,800,913
Creative services	348,945
Management and general	768,691
Membership	385,832
Underwriting and solicitation	277,735
Depreciation	<u>365,612</u>
Total operating expenses	<u>6,223,436</u>
OPERATING LOSS	<u>(5,508,296)</u>
NONOPERATING REVENUES:	
Contribution from City Colleges of Chicago	2,033,631
Facilities and administrative support donated by City Colleges of Chicago	1,673,634
Grants from the Corporation for Public Broadcasting	1,047,845
Grants from the State of Illinois	383,464
Private grants	<u>4,110</u>
Total nonoperating revenues	<u>5,142,684</u>
LOSS BEFORE CAPITAL APPROPRIATIONS	(365,612)
CAPITAL APPROPRIATIONS	<u>1,180,532</u>
CHANGE IN NET ASSETS	814,920
NET ASSETS — July 1, 2006	<u>2,260,237</u>
NET ASSETS — June 30, 2007	<u>\$ 3,075,157</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, 2007**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Underwriting and membership	\$ 784,196
Payments to suppliers and employees	<u>(4,210,373)</u>
Net cash used in operating activities	<u>(3,426,177)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Contributions from City Colleges of Chicago	2,033,631
Nonoperating grants	<u>1,158,602</u>
Net cash provided by noncapital financing activities	<u>3,192,233</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	
Capital appropriations	1,180,532
Purchase of capital assets	<u>(74,428)</u>
Net cash provided by capital financing activities	<u>1,106,104</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	872,160
CASH AND CASH EQUIVALENTS — July 1, 2006	<u>1,537,810</u>
CASH AND CASH EQUIVALENTS — June 30, 2007	<u>\$ 2,409,970</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	<u>\$(5,508,296)</u>
Adjustments to reconcile:	
Depreciation	365,612
Facilities and administrative support donated by City Colleges of Chicago	1,673,634
Changes in assets and liabilities:	
Accounts receivable	69,056
Accounts payable and accrued expenses	<u>(26,183)</u>
Total adjustments	<u>2,082,119</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$(3,426,177)</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, 2007

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, results of operations, or cash flows 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, 2007, 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 and cash equivalents are accounted for on a pooled basis. Cash and cash equivalents at June 30, 2007, represents WYCC-TV20’s share of the pooled cash and cash equivalents.

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 noncash depreciation expense and the resources from capital appropriations and grants.

**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, 2007**

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. In fiscal year 2006, City Colleges adopted a new capitalization policy, which required equipment that had a cost or net book value of \$25,000 or more with an estimated useful life greater than one year to be capitalized.

WYCC-TV20's major capital asset is its transmitter and antenna, which has a life of eight years and is depreciated using the straight-line method. In fiscal year 2007, WYCC-TV20 committed to purchase \$2.7 million of high-definition broadcasting equipment, of which \$1.1 million has been charged to construction in progress. Expenses for repairs and maintenance are charged to operations as incurred.

A summary of changes in the capital assets for 2007 is as follows:

	Beginning Balance	Disposals	Additions	Ending Balance
Cost	\$ 2,705,336	\$ -	\$ 1,180,532	\$ 3,885,868
Accumulated depreciation	<u>(1,040,914)</u>	<u> </u>	<u>(365,612)</u>	<u>(1,406,526)</u>
Net book value — June 30, 2007	<u>\$ 1,664,422</u>	<u>\$ -</u>	<u>\$ 814,920</u>	<u>\$ 2,479,342</u>

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 Mutual Life Insurance Company to lease additional space. Both agreements expire on September 30, 2014. Lease expense for the year ended June 30, 2007, totaled \$525,305.

A schedule by year of future minimum rental payments required under the lease agreement at June 30, 2007, is as follows:

Years Ending June 30	Amount
2008	\$ 554,770
2009	556,487
2010	570,197
2011	587,303
2012	604,922
2013–2015	<u>1,426,809</u>
Total — June 30, 2007	<u>\$4,300,488</u>

**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, 2007**

4. SUBSEQUENT EVENTS

WYCC-TV20's Federal Communications Commission (FCC) license to broadcast has been renewed through December 1, 2013. All Chicago-based television stations' renewal applications have been included in a blanket challenge by a third party. Management of WYCC-TV20 and City Colleges and their outside FCC counsel believe that the challenge is without merit.

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REQUIRED SUPPLEMENTARY INFORMATION

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

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2007**

	Program Services			Supporting Services			Total
	Local Programming & Production	Broadcasting	Creative Services	Management & General	Membership	Underwriting & Solicitation	
EXPENSES:							
Salaries and taxes	\$ 1,149,395	\$ 741,753	\$ 305,067	\$ 482,962	\$ 202,567	\$ 256,297	\$ 3,138,041
Professional services	136,228	55,189	28,366	46,137	11,314	13,823	291,057
Supplies	103,543	85,277	12,485	112,887	47,313	1,350	362,855
Telephone and utilities		147,907		38,303	9,100		195,310
Postage and delivery	1,002	376	284	44,977	40,792	299	87,730
Printing and publications	190,347	29	314	1,168	55,465	38	247,361
Advertising		394		1,546			1,940
Rental and equipment maintenance	304						304
Occupancy	4,961	737,161		4,794			746,916
Travel	45,565	24,439	284	19,325	17,740	5,928	113,281
Dues and membership	636,543	246	2,145	16,592	1,541		657,067
Equipment	7,820	8,142					15,962
TOTAL EXPENSES	<u>\$ 2,275,708</u>	<u>\$ 1,800,913</u>	<u>\$ 348,945</u>	<u>\$ 768,691</u>	<u>\$ 385,832</u>	<u>\$ 277,735</u>	<u>\$ 5,857,824</u>