WINDOW TO THE WORLD COMMUNICATIONS, INC.

(A Private Nonprofit Corporation)

Financial Statements For the Years Ended
June 30, 2017 and 2016
(With Independent Auditor's Report Thereon)

Window to the World Communications, Inc.

(A Private Nonprofit Corporation)

Years Ended June 30, 2017 and 2016

Contents

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Independent Auditor's Report

To the Board of Trustees
Window to the World Communications, Inc.

We have audited the accompanying financial statements of Window to the World Communications, Inc. (A Private Nonprofit Corporation) (WWCI), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Window to the World Communications, Inc. as of June 30, 2017 and 2016 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

October 18, 2017

WINDOW TO THE WORLD COMMUNICATIONS, INC.
(A Private Nonprofit Corporation)
Statements of Financial Position
June 30, 2017 and 2016

Assets	**2017**	**2016**
Current assets:		
Cash	$ 4,774,853	$ 3,175,686
Accounts receivable, net	1,324,218	2,151,743
Pledges receivable, net	2,867,355	2,510,281
Program rights and other assets	769,414	657,486
Total current assets	9,735,840	8,495,196
Long-term pledges receivable, net	2,629,003	3,685,152
Beneficial interest in trust	807,490	728,118
Noncurrent program rights and other assets	97,331	102,221
Investments	41,932,752	37,305,095
Property and equipment, net	16,908,766	17,824,351
Federal Communications Commission license	327,123	327,123
Total assets	**$ 72,438,305**	**$ 68,467,256**
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 2,919,991	$ 1,826,855
Deferred revenue	1,976,556	2,479,727
Accrued vacation	1,219,333	1,237,676
Severance liability	867,322	666,334
Current portion of loan payable	500,000	500,000
Total current liabilities	7,483,202	6,710,592
Loan payable	18,800,000	19,300,000
Long-term accrued expenses	1,601,071	1,165,600
Total liabilities	27,884,273	27,176,192
Net assets:		
Unrestricted	22,517,741	20,261,192
Temporarily restricted	16,325,984	15,351,261
Permanently restricted	5,710,307	5,678,611
Total net assets	44,554,032	41,291,064
Total liabilities and net assets	**$ 72,438,305**	**$ 68,467,256**

See accompanying notes to financial statements.

WINDOW TO THE WORLD COMMUNICATIONS, INC.
(A Private Nonprofit Corporation)
Statement of Activities
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating activities:				
Revenue and public support:				
Direct public support and program service revenue:				
Viewer and listener marketing	$ 16,177,871	$ —	$ —	$ 16,177,871
TV and radio underwriting/advertising	5,804,836	—	—	5,804,836
National and local TV production contracts	3,228,999	—	—	3,228,999
Development and special events	6,071,877	—	—	6,071,877
Campaign pledges	—	4,327,534	—	4,327,534
Web and print sponsorship	160,805	—	—	160,805
Net assets released from restrictions	4,508,577	(4,508,577)	—	—
	35,952,965	(181,043)	—	35,771,922
Federal CPB grant	4,088,892	—	—	4,088,892
Program licensing and facilities rental	1,831,896	—	—	1,831,896
Annual appropriation from endowments	1,156,132	173,868	—	1,330,000
Miscellaneous	464,211	—	—	464,211
	7,541,131	173,868	—	7,714,999
Total revenue and public support	43,494,096	(7,175)	—	43,486,921
Expenses:				
Program:				
Develop, acquire and deliver local content	21,972,309	—	—	21,972,309
National TV productions	3,898,974	—	—	3,898,974
Sales and syndication	4,450,680	—	—	4,450,680
Corporate communications	115,216	—	—	115,216
	30,437,179	—	—	30,437,179
Supporting services:				
Viewer and listener marketing	6,430,909	—	—	6,430,909
Business support	4,310,797	—	—	4,310,797
Development and special events	2,278,290	—	—	2,278,290
	13,019,996	—	—	13,019,996
Total expenses	43,457,175	—	—	43,457,175
Increase (decrease) in net assets from operating activities before other income	36,921	(7,175)	—	29,746
Other income (expenses):				
Investment earnings, net of expenses	4,845,846	1,090,646	—	5,936,492
Annual appropriation to operations	(1,156,132)	(173,868)	—	(1,330,000)
Severance expense	(1,470,086)	—	—	(1,470,086)
Endowment giving	—	—	96,816	96,816
Net assets released from restrictions	—	65,120	(65,120)	—
Increase in net assets from other income	2,219,628	981,898	31,696	3,233,222
Increase in net assets	2,256,549	974,723	31,696	3,262,968
Net assets, beginning of year	20,261,192	15,351,261	5,678,611	41,291,064
Net assets, end of year	**$ 22,517,741**	**$ 16,325,984**	**$ 5,710,307**	**$ 44,554,032**

See accompanying notes to financial statements.

WINDOW TO THE WORLD COMMUNICATIONS, INC.
(A Private Nonprofit Corporation)
Statement of Activities
Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating activities:				
Revenue and public support:				
Direct public support and program service revenue:				
Viewer and listener marketing	$ 16,423,824	$ —	$ —	$ 16,423,824
TV and radio underwriting/advertising	6,036,586	—	—	6,036,586
National and local TV production contracts	4,369,396	—	—	4,369,396
Development and special events	5,948,888	—	2,620	5,951,508
Campaign pledges	—	7,611,614	—	7,611,614
Web and print sponsorship	181,818	—	—	181,818
Net assets released from restrictions	5,725,127	(5,725,127)	—	—
	38,685,639	1,886,487	2,620	40,574,746
Government grants:				
U.S. Department of Education grant	1,726,514	—	—	1,726,514
Federal CPB grant	3,575,745	—	—	3,575,745
	5,302,259	—	—	5,302,259
Program licensing and facilities rental	1,754,771	—	—	1,754,771
Annual appropriation from endowments	1,148,167	179,833	—	1,328,000
Miscellaneous	427,655	—	—	427,655
	3,330,593	179,833	—	3,510,426
Total revenue and public support	47,318,491	2,066,320	2,620	49,387,431
Expenses:				
Program:				
Develop, acquire and deliver local content	21,036,702	—	—	21,036,702
U.S. Department of Education project	1,725,856	—	—	1,725,856
National TV productions	6,019,804	—	—	6,019,804
Sales and syndication	4,842,047	—	—	4,842,047
Corporate communications	125,231	—	—	125,231
	33,749,640	—	—	33,749,640
Supporting services:				
Viewer and listener marketing	7,341,707	—	—	7,341,707
Business support	4,185,004	—	—	4,185,004
Development and special events	2,001,709	—	—	2,001,709
	13,528,420	—	—	13,528,420
Total expenses	47,278,060	—	—	47,278,060
Increase in net assets from operating activities before other income	40,431	2,066,320	2,620	2,109,371
Other (expenses) income:				
Investment (loss) earnings, net of expenses	(2,320,458)	144,817	—	(2,175,641)
Annual appropriation to operations	(1,148,167)	(179,833)	—	(1,328,000)
Severance expense	(1,106,240)	—	—	(1,106,240)
Non cash interest rate swap gain	42,093	—	—	42,093
Other income	21,221	—	—	21,221
Endowment giving	—	—	15,000	15,000
Net assets released from restrictions	2,000,000	(2,000,000)	—	—
(Decrease) increase in net assets from other income	(2,511,551)	(2,035,016)	15,000	(4,531,567)
(Decrease) increase in net assets	(2,471,120)	31,304	17,620	(2,422,196)
Net assets, beginning of year	22,732,312	15,319,957	5,660,991	43,713,260
Net assets, end of year	**$ 20,261,192**	**$ 15,351,261**	**$ 5,678,611**	**$ 41,291,064**

See accompanying notes to financial statements.

WINDOW TO THE WORLD COMMUNICATIONS, INC.
(A Private Nonprofit Corporation)

Statements of Cash Flows

Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Increase (decrease) in net assets	$ 3,262,968	$ (2,422,196)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	2,486,195	2,482,867
Change in allowance for membership pledges receivable	(130,708)	24,542
Gain on interest rate swap agreement	-	(42,093)
Net loss (gain) on sales of assets	19,147	(5,309)
Gifts restricted for long-term purposes	(159,316)	(32,620)
Net realized and unrealized (gain) losses on investments	(4,896,284)	2,973,056
Beneficial interest in trust	(79,372)	87,067
Changes in current assets and liabilities:		
Accounts receivable, net	827,525	(592,325)
Pledges receivable, net	(226,366)	(1,247,852)
Program rights and other assets	(111,928)	143,383
Accounts payable and accrued expenses	1,056,707	(1,585,743)
Deferred revenue	(503,171)	509,949
Accrued vacation	(18,343)	10,899
Severance liability	200,988	644,503
Changes in noncurrent assets and liabilities:		
Pledges receivable, net	1,056,149	(1,976,833)
Program rights and other assets	4,890	8,559
Long-term accrued expenses	435,471	(36,054)
Net cash provided by (used in) operating activities	3,224,552	(1,056,200)
Cash flows from investing activities:		
Purchases of property and equipment	(1,534,181)	(2,036,930)
Proceeds from disposals of property and equipment	(19,147)	5,309
Purchases of investments	(6,133,186)	(5,101,605)
Sales of investments	6,401,813	3,859,893
Net cash used in investing activities	(1,284,701)	(3,273,333)
Cash flows from financing activities:		
Borrowings under line of credit	2,500,000	2,500,000
Repayments of line of credit	(2,500,000)	(2,500,000)
Repayments of loan payable	(500,000)	(500,000)
Gifts restricted for long-term purposes	159,316	32,620
Net cash used in financing activities	(340,684)	(467,380)
Net increase (decrease) in cash	1,599,167	(4,796,913)
Cash, beginning of year	3,175,686	7,972,599
Cash, end of year	**$ 4,774,853**	**$ 3,175,686**

See accompanying notes to financial statements.

(1) Organization

Window To The World Communications, Inc. (WWCI) is a private nonprofit corporation. WWCI owns and operates WTTW, a public TV station and a media production center, and WFMT, a commercial FM fine arts radio station and radio production center and distributor. WWCI's mission is to provide distinctive and diverse programming to Chicago and national audiences through broadcast, production, online and other media.

(2) Summary of Significant Accounting Policies

The accompanying WWCI financial statements have been prepared on the accrual basis of accounting. Significant accounting policies followed in the preparation of these financial statements are described below.

(a) Basis of Presentation

WWCI's financial statements have been prepared to focus on the organization as a whole and to present balances and transactions classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and related activity (revenue, expenses, gains and losses) are classified as follows:

Unrestricted – net assets that are not subject to donor-imposed restrictions and include the carrying value of physical properties (buildings and equipment). Items that affect this net asset category include program service revenue and related expenses associated with the core media activities of WWCI. In addition to these exchange transactions, changes in this category of net assets include certain types of philanthropic support (i.e., unrestricted gifts and restricted gifts whose donor-imposed restrictions were met during the fiscal year) and unrestricted investment earnings (losses) on endowments.

Temporarily restricted – net assets that are subject to donor-imposed restrictions that will be met either by actions of WWCI and/or the passage of time. Items that affect this net asset category are restricted gifts, donated assets and investment income whose use is limited to specific purposes by the donor. These amounts are reclassified to unrestricted net assets when such restrictions have been met, have expired or when specific assets have been depreciated.

Permanently restricted – net assets that are subject to donor-imposed restrictions which require that they be maintained permanently by WWCI. Items that affect this net asset category include gifts wherein donors stipulate that the corpus be held in perpetuity (primarily gifts for endowment) and only the income be made available for specific purpose or general operations.

(b) Direct Public Support, Program Service Revenue and Related Receivables

Direct public support (contributions) and program service revenue are derived from various revenue sources which include, but are not limited to, viewer and listener marketing, TV and radio underwriting/advertising, national TV production contracts, development and campaign pledges. Development and campaign revenue consists of corporate, foundation and individual contributions.

Contributions, including unconditional promises, are recognized as revenue when the donor's commitment is received. Unconditional promises are recognized at the fair value of the future cash flows, net of allowances. An allowance for uncollectible pledges receivable is provided based upon management's judgment and analysis regarding such factors as the creditworthiness of the donor, prior collection history, type of contribution and nature of fundraising activity.

Contributions received with donor-imposed restrictions are reported as revenue of the temporarily and permanently restricted net asset classes. Conditional promises are recorded when donor stipulations are substantially met.

Viewer and listener marketing revenue consists of memberships (individual pledges) from on-air pledge drives and direct mail/telemarketing contributions.

TV and radio program underwriting/advertising revenue is recorded on a pro rata basis over the related broadcast period.

National TV production contract revenue is recognized on an estimated percentage-of-completion basis.

Accounts receivable consists of underwriting, advertising, and TV production contract receivables that are carried at original invoice amount. The valuation of accounts receivable is based upon management's estimate of the collectibility of such receivables. Management reviews trade accounts receivable on a consistent basis and follows up with those customers that are delinquent. Management records a specific reserve when the collectibility of a receivable balance is uncertain. Management also records a 3 percent general allowance for trade receivables.

(c) Government Grants

Revenue from the U.S. Department of Education grant and the Corporation for Public Broadcasting (CPB) grant is recognized as unrestricted grant revenue as expenses are incurred on the underlying projects.

(d) Operations

Operating results in the statements of activities reflect all day to day operating transactions which increase or decrease net assets, except those related to endowed gifts or other non-recurring transactions.

(e) Severance Expense

During fiscal years 2017 and 2016, WWCI recognized expenses of $1,470,086 and $1,106,240, respectively as a result of severance benefits.

(f) Cash

WWCI maintains its cash with PNC Bank and although amounts in bank deposit accounts may exceed federally insured limits at times, WWCI believes that it is not exposed to any significant credit risk on cash.

(g) Investments

Investments are reported at fair value. For alternative investments, fair value is estimated as the net asset value per share provided by the investee as a practical expedient (as disclosed in Note 4). Investment earnings or loss (including realized gains and losses on investments, changes in unrealized holding gains and losses, interest and dividends) on investments that are not restricted by donors are included in investment returns in the statements of activities. Interest and dividend income is recorded on the accrual basis. Realized gains and losses are determined based on specific identification of securities sold.

WWCI's investments are exposed to various risks, such as interest rate, credit and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the value of investments may occur in the near term and may materially affect the amounts reported in the financial statements.

(h) Property and Equipment

Under WWCI's capitalization policy, costs of acquiring property and equipment for purchases exceeding $1,000 are capitalized. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. The useful lives used are as follows: building, 60 years or the remaining life of the lease; technical equipment and furniture and fixtures, 5 to 10 years; and leasehold improvements, the lesser of the remaining life of the lease or the useful life of the leasehold improvements.

(i) FCC License

The cost of the WFMT license issued by the Federal Communications Commission (FCC) to WWCI has not been amortized since December 31, 1970. WWCI assesses the asset annually for impairment and believes there has been no decrease in the value of this license.

(j) Use of Estimates

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

(k) Beneficial Interest in Trust

WWCI is the income beneficiary under a trust, the corpus of which is not controlled by WWCI. In the absence of donor-imposed conditions, WWCI recognizes its beneficial interest in a trust as a contribution in the period in which it receives notice that the trust agreement conveys an unconditional right to receive benefits. Beneficial interest in trust is stated at fair value.

(l) Income Taxes

WWCI received a determination letter from the Internal Revenue Service in December 1957 indicating that it qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, except for taxes pertaining to unrelated business income, is exempt from Federal and state income taxes. No provision for income taxes was required for the fiscal years ended June 30, 2017 and 2016.

WWCI's application of USAGAAP regarding uncertain tax positions had no effect on its financial position as management believes WWCI has no material unrecognized income tax benefits, including any potential risk of loss of its not-for-profit tax status. WWCI would account for any potential interest or penalties related to possible future liabilities for unrecognized income tax benefits as income tax expense.

(m) Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including **October 18, 2017**, which is the date the financial statements were available to be issued.

(n) **Upcoming Accounting Changes**

In May 2014, the Financial Accounting Standards Board *(FASB)* issued Accounting Standards Update *(ASU)* No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for WWCI's year ending June 30, 2020. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods: retrospectively to each period presented (full retrospective method) or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the cumulative catch-up transition method). WWCI will most likely adopt the cumulative catch-up transition method if implementation of the standard does not result in a significant adjustment. Management is currently evaluating the contracts in place to determine the full impact the standard will have and plans to complete this by the end of 2018.

In August 2016, FASB issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow FASB not-for-profit rules, including changing from three classes of net assets to two classes, net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by WWCI, including required disclosures about the liquidity and availability of resources. The new standard is effective for WWCI's year ending June 30, 2019 and thereafter and must be applied on a retrospective basis. The standard will not have a significant impact on the financial statements. WWCI is currently gathering the appropriate information to implement these disclosure changes in a timely manner.

In February 2016, FASB issued ASU 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right of use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the statement of financial position. The reporting of lease related expenses in the statements of activities and cash flows will be generally consistent with the current guidance. The new lease footnote guidance will be effective for WWCI's year ending June 30, 2021 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The new lease standard is expected to have a significant impact on WWCI's statement of financial position as a result of the various leases classified as operating leases. The new lease standard is expected to increase assets and lease liabilities upon adoption by the amount disclosed in Note 14. There is not expected to be a significant impact on expenses or cash flows.

(3) Receivables

Receivables consist of the following as of June 30:

	2017	2016
Current:		
Trade (net of allowance for doubtful accounts of $86,000 and $93,000 as of June 30, 2017 and 2016, respectively)	$ 1,003,378	$ 1,842,608
Contracts and other receivables	320,840	309,135
Total current receivables, net	**$ 1,324,218**	**$ 2,151,743**
Pledges:		
Membership (net of allowance for doubtful accounts of $274,000 and $405,000 as of June 30, 2017 and 2016, respectively)	$ 447,058	$ 540,941
Campaign	2,420,297	1,969,340
Total pledge receivables, net	**$ 2,867,355**	**$ 2,510,281**
Long-term pledges (net of allowance for doubtful accounts of $0 as of June 30, 2017 and 2016, respectively)	**$ 2,629,003**	**$ 3,685,152**

WWCI used a rate of 4% to calculate the present value of long-term pledges receivable.

The future pledges receivable as of June 30 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Less than one year	$ 1,301,982	$ 1,806,039	$ 33,334	$ 3,141,355
One to five years	357,500	2,431,126	-	2,788,626
More than five years	-	-	-	-
	1,659,482	4,237,165	33,334	5,929,981
Less allowance for doubtful accounts	(274,000)	-	-	(274,000)
	1,385,482	4,237,165	33,334	5,655,981
Less discount	(19,065)	(140,558)	-	(159,623)
Net	**$ 1,366,417**	**$ 4,096,607**	**$ 33,334**	**$ 5,496,358**

(4) Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value as follows:

- Level 1 – Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3 – Unobservable inputs that are not corroborated by market data. These inputs reflect management's best estimate of fair value using its own judgment of the assumptions a market participant would use in pricing the asset or liability.
- Net asset value – Interests in investment companies at year end where the fair value of the investment held is estimated based on the net asset value per share (or its equivalent) of the investment company.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. WWCI's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The following tables set forth by level within the fair value hierarchy WWCI's financial assets and liabilities that were accounted for at fair value on a recurring basis as of June 30, 2017 and 2016. WWCI's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect their placement within the fair value hierarchy levels.

Description	Fair Values as of June 30, 2017	Recurring Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets Level (1)	Significant Other Observable Inputs Level (2)	Significant Unobservable Inputs Level (3)	Net Asset Value Per Share
Assets:					
U.S. equity funds:					
Large cap	$ 14,340,367	$ 12,556,744	$ 1,783,623	$ -	$ -
Small cap	2,048,202	2,048,202	-	-	-
Total U.S. equity funds	16,388,569	14,604,946	1,783,623	-	-
Fixed income funds	2,702,480	2,702,480	-	-	-
International equity funds	2,920,746	2,920,746	-	-	-
Alternative investments:					
Absolute return	11,783,090	-	-	-	11,783,090
International equity	4,114,081	-	-	-	4,114,081
Hedged equity	4,012,215	-	-	-	4,012,215
Private equity	11,571	-	-	-	11,571
Total alternative investments	19,920,957	-	-	-	19,920,957
Beneficial interest in trust	807,490	-	-	807,490	-
	$ 42,740,242	**$ 20,228,172**	**$ 1,783,623**	**$ 807,490**	**$ 19,920,957**

The following table reconciles the June 30, 2017 fair values to the related investments as shown on the Statement of Financial Position.

Fair values as of June 30, 2017	$ 42,740,242
Less:	
Beneficial interest in trust	(807,490)
Total investments per Statement of Financial Position	$ 41,932,752

		Recurring Fair Value Measurements at Reporting Date Using:			
Description	Fair Values as of June 30, 2016	Quoted Prices in Active Markets for Identical Assets Level (1)	Significant Other Observable Inputs Level (2)	Significant Unobservable Inputs Level (3)	Net Asset Value Per Share
Assets:					
U.S. equity funds:					
Large cap	$ 10,881,508	$ 9,931,360	$ 950,148	$ -	$ -
Small cap	1,680,254	1,680,254	-	-	-
Total U.S. equity funds	12,561,762	11,611,614	950,148	-	-
Fixed income funds	3,325,579	3,325,579	-	-	-
International equity funds	4,321,578	4,321,578	-	-	-
Alternative investments:					
Absolute return	10,655,302	-	-	-	10,655,302
International equity	2,411,088	-	-	-	2,411,088
Hedged equity	4,012,607	-	-	-	4,012,607
Private equity	17,179	-	-	-	17,179
Total alternative investments	17,096,176	-	-	-	17,096,176
Beneficial interest in trust	728,118	-	-	728,118	-
	$ 38,033,213	**$ 19,258,771**	**$ 950,148**	**$ 728,118**	**$ 17,096,176**

The following table reconciles the June 30, 2016 fair values to the related investments as shown on the Statement of Financial Position.

Fair values as of June 30, 2016	$ 38,033,213
Less:	
Beneficial interest in trust	(728,118)
Total investments per Statement of Financial Position	$ 37,305,095

WWCI's policy is to recognize transfers in and out of Level 1, 2, and 3 fair value classifications as of the beginning of the fiscal year of the change in circumstances that caused the transfer. There were no transfers during the years that ended June 30, 2017 and June 30, 2016, respectively.

The following section describes the valuation techniques used by WWCI to measure different financial instruments at fair value and includes the level within the fair value hierarchy in which the financial instrument is categorized.

<u>Level 1</u>

Investments in securities traded on a national securities exchange are stated at last reported sales price on the day of valuation. These financial instruments are classified as Level 1 in the fair value hierarchy.

<u>Level 2</u>

Estimated fair values for large cap equity funds were based on similar investments that are traded on the secondary market.

<u>Level 3</u>

Beneficial interest in trust is stated at fair value. The fair value is based on the percentage of the trust designated to WWCI, applied to the fair value of the trust, which is based primarily on quoted market prices of its underlying assets. Changes in the fair value of the underlying trust assets, as determined by the trustees that hold and manage these assets, are recognized in the statements of activities in the period in which they occur.

The following tables present a reconciliation of the beginning and ending balances recorded for instruments classified as Level 3 in the fair value hierarchy as of June 30, 2017 and 2016.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
	Beneficial Interest in Trust
Assets:	
Beginning balance, June 30, 2016	$ 728,118
Total realized gains or losses included in change in net assets	-
Total unrealized gains included in change in net assets	79,372
Ending balance, June 30, 2017	**$ 807,490**
Total gains for the period included in change in net assets attributable to the change in unrealized gains relating to Level 3 assets still held as of June 30, 2017	**$ 79,372**

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
	Beneficial interest in Trust
Assets:	
Beginning balance, June 30, 2015	$ 815,185
Total realized gains or losses included in change in net assests	-
Total unrealized losses included in change in net assets	(87,067)
Ending balance, June 30, 2016	**$ 728,118**
Total losses for the period included in change in net assets attributable to the change in unrealized losses relating to Level 3 assests still held as of June 30, 2016	**$ (87,067)**

The Beneficial interest in Trust pertains to an investment that is held in trust by a third party and cannot be redeemed until the year 2482.

Level 3 gains and losses (realized and unrealized) included in the changes in net assets for the periods above are reported in investment earnings, net of expenses in the statements of activities. Level 3 unrealized gains and losses that are included in the changes in net assets that are still held as of June 30, 2017 and 2016 for the periods above are reported in investment earnings, net of expenses in the statements of activities.

The following table summarizes the fair value measurements of investments in other investment funds that calculate net asset value per share (or its equivalent) as of June 30, 2017 and 2016, respectively. The below investments are valued at net asset value and there are no unfunded commitments as of June 30, 2017 and 2016.

Description	Fair Values as of June 30, 2017	Fair Values as of June 30, 2016	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Assets:				
Alternative investments:				
Absolute return (a)	$ 3,146,795	$ 4,757,168	Annually, after lock up expires	45-95 days
Absolute return (a)	6,576,544	5,898,134	Quarterly	65 days
Absolute return (a)	2,059,751	-	Weekly	5 days
International equity (b)	4,114,081	2,411,088	Daily, monthly	5 -30 days
Hedged equity (c)	4,012,215	4,012,607	Monthly	30-60 days
Private equity (d)	11,571	17,179	None	None
Total alternative investments	**$ 19,920,957**	**$ 17,096,176**		

(a) This category includes multi-strategy absolute return investments focused on probability-adjusted asset returns capturing the alpha in mispriced securities across conventional and alternative financial strategies. One of these investments has a two year lock up that ends on November 25, 2017. The fair values of the funds in this category have been estimated using the net asset value per share of the investments.

(b) This category includes investments in Asia and Latin America's emerging markets debt and equity securities As of June 30, 2017, all of the investments in this category have passed their initial lock up periods. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.

(c) This category includes investments in hedge funds that invest in both long and short positions, primarily in global equities. Management of the hedge fund has the ability to shift investments from value to growth strategies, from mid to large capitalization stakes, and from a net long position to a net short position. The investments dominate exposure in global markets. As of June 30, 2017, all of the investments in this category have passed their initial lock up periods. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.

(d) This category includes a private equity fund that is in liquidation. The investment is not redeemable. Investors can expect cash distributions on a regular basis as the fund winds down. The term for the liquidation of the investments in the portfolio ranges from 5 to 7 years. As of June 30, 2017 the fair values of the investments in this category have been estimated using the value provided by the fund manager.

(5) Investments

Long-term investments are summarized as follows as of June 30:

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
U.S. equity funds:				
Harbor Fund	$ 3,308,221	$ 6,456,842	$ 2,983,525	$ 5,189,708
Dodge & Cox fund	3,726,223	6,099,902	3,375,468	4,741,653
Longleaf Partners	843,031	980,235	700,278	853,994
Alpha One Fund	958,705	1,067,967	932,366	826,260
Rock Springs Fund	1,500,000	1,783,623	1,000,000	950,147
Total U.S. equity funds:	10,336,180	16,388,569	8,991,637	12,561,762
Fixed income funds	2,743,074	2,702,480	3,320,351	3,325,579
International equity funds	2,256,249	2,920,746	4,100,907	4,321,578
Alternative investments:				
Absolute return	8,140,581	11,783,090	6,941,933	10,655,302
International equity	2,950,000	4,114,081	1,950,000	2,411,088
Hedged equity	3,455,383	4,012,215	3,450,000	4,012,607
Private equity	19,902	11,571	21,604	17,179
Total alternative investments	14,565,866	19,920,957	12,363,537	17,096,176
Total long-term investments	**$ 29,901,369**	**$ 41,932,752**	**$ 28,776,432**	**$ 37,305,095**

Investment returns for the years ended June 30, 2017 and 2016 are as follows:

	2017	2016
Interest and dividends	$ 1,377,316	$ 1,279,658
Realized and unrealized gain (loss) on investments	4,975,656	(3,060,123)
Fund management expenses	(416,480)	(395,176)
Total return on investments	5,936,492	(2,175,641)
Board approved transfers:		
Endowment transfer (See Note 13)	(1,330,000)	(1,328,000)
Investment earnings, net of transfers and expenses	**$ 4,606,492**	**$ (3,503,641)**

Unrealized gain (loss) – investments in the above table includes $79,372 and $(87,067) from the beneficial interest in trust for the years ended June 30, 2017 and 2016, respectively.

(6) Property and Equipment

The following is a summary of property and equipment balances stated at historical cost as of June 30:

	2017	2016
Technical equipment	$ 32,965,566	$ 32,601,060
Building and leasehold improvements	24,560,967	24,336,251
Furniture, fixtures, and other assets	7,529,541	7,312,170
Deposits and construction-in-progress	102,715	243,981
Total property and equipment	65,158,789	64,493,462
Less accumulated depreciation and amortization	(48,250,023)	(46,669,111)
Net property and equipment	**$ 16,908,766**	**$ 17,824,351**

Construction-in-progress represents the accumulated costs of assets not yet placed in service. As of June 30, 2017 and 2016, these amounts relate to new equipment and improvements of existing facilities. Depreciation and amortization for the years ended June 30, 2017 and 2016 was $2,486,195 and $2,482,867, respectively.

(7) Liens on Property and Equipment

WTTW acquired a portion of its technical equipment with the proceeds of grants received from the Public Telecommunications Facilities Program (PTFP). These grants provide that liens be placed upon this equipment for a ten-year period. The liens expire on various dates through 2020. In the event this equipment is sold within the ten-year period, PTFP is entitled to receive a pro rata portion of the proceeds based upon the percentage of the original purchase price that it funded. WTTW has no intentions to sell any of this equipment within the ten-year period.

(8) Income Taxes

WWCI's management believes it will have an unrelated business income net operating loss of approximately $411,000 for tax purposes for the year ended June 30, 2017 and that its unrelated business income net operating loss carryforward as of June 30, 2017 will be approximately $10,067,000. This amount is available to offset future unrelated business income. The carryforward amounts expire on various dates through 2038. Deferred income tax assets related to the unrelated business net operating loss carryforwards were fully offset by a valuation allowance as of June 30, 2017 and 2016.

(9) Line of Credit

WWCI has an unsecured line of credit agreement with PNC Bank N.A. to support working capital requirements. This agreement as of June 30, 2017 permits borrowings of up to $5,000,000. Outstanding borrowings bear interest at the current LIBOR (1.30% as of June 30, 2017 and 0.46% as of June 30, 2016) plus 1.0%. The agreement expires June 1, 2018 and management fully expects to extend the line of credit. As of June 30, 2017 and 2016, WWCI had no borrowings outstanding under this line of credit. WWCI is subject to certain covenants relating to the loan described in Note 10 that are also applicable to this line.

(10) Loan Payable

On November 6, 2012, WWCI entered into an agreement with PNC Bank N.A. to borrow $21,300,000. On April 4, 2016 WWCI amended the above agreement with PNC Bank N.A. to borrow $19,800,000. The loan is due June 1, 2021 and is secured by $1.7 million of WWCI's investment assets. The funds were used to retire the Illinois Development Finance Authority's Variable Development Series 1994 A & B and Series 2000 bonds.

The loan payable due to PNC Bank N.A. was $19,300,000 and $19,800,000 as of June 30, 2017 and 2016, respectively. Outstanding borrowings bear interest at the current LIBOR (1.30% as of June 30, 2017 and 0.46% as of June 30, 2016) plus 1.00%.

Of the loan proceeds from PNC Bank N.A., $500,000 is due annually on the first business day of December, with the remaining balance due on maturity.

The balance of the loan matures as follows:

Year ending June 30:	
2018	500,000
2019	500,000
2020	500,000
2021	17,800,000
	$ 19,300,000

The PNC Bank N.A. loan is subject to certain financial covenants relating to unrestricted liquid assets to total indebtedness ratios, capital expenditures and indebtedness limitations.

(11) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods as of June 30:

	2017	2016
Time restriction		
General	$ 2,771,698	$ 1,860,805
Purpose restriction		
Campaign	9,611,416	8,610,889
Chicago Tonight internships	267,017	210,175
Midnight Special	128,622	81,489
	10,007,055	8,902,553
Time and purpose restriction		
Capital	1,735,716	2,617,454
Campaign	1,811,515	1,970,449
	3,547,231	4,587,903
Total temporarily restricted net assets	$ 16,325,984	$ 15,351,261

(12) Permanently Restricted Net Assets

Permanently restricted net assets are available for the following purposes or periods as of June 30:

	2017	2016
Endowments whose earnings can be used for:		
Unrestricted operating	$ 4,126,751	$ 4,184,221
Grainger studio upgrades	990,872	990,872
Midnight Special	268,018	268,018
Chicago Tonight internships	258,000	235,500
Patner internships	66,666	-
Total permanently restricted net assets	$ 5,710,307	$ 5,678,611

(13) Endowment

WWCI's endowment consists of twelve individual funds and includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by USAGAAP, net assets associated with endowment funds are classified and reported based on existences or absences of donor-imposed restrictions.

WWCI interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, WWCI classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by WWCI in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, WWCI considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1) The duration and preservation of the fund
2) The purposes of the donor-restricted endowment funds
3) General economic conditions
4) The expected total return from income and appreciation of investments
5) Other resources of the organization
6) The investment policy of WWCI

WWCI has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that WWCI must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Four percent of the average fair value of the investments held by WWCI for the prior 12 quarters is available for operations. The board approved a 4% operating transfer totaling $1,330,000 in 2017 and $1,328,000 in 2016. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. WWCI expects its endowment funds to provide an absolute return measured over a three-year period of the greater of 8% or CPI plus 5%. This is consistent with WWCI's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return. WWCI's investment objective is to increase purchasing power while reducing, to the greatest extent possible, the possibility of loss over a three-year cycle. A secondary objective is to have sufficient degree of flexibility in order to meet unanticipated demands and changing environments. Diversification of assets will ensure that adverse or unexpected results from one security or security class will not have a detrimental impact on the entire portfolio. Actual returns in any given year may vary from this amount.

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires WWCI to retain as a fund of perpetual duration. In accordance with USAGAAP, deficiencies of this nature are reported in unrestricted net assets. There were no deficiencies as of June 30, 2017 and 2016, respectively.

Endowment net asset composition by type of fund as of June 30, 2017, is comprised of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 2,359,847	$ 5,710,307	$ 8,070,154
Board-designated endowment funds	31,995,259	-	-	31,995,259
Total endowment funds	**$ 31,995,259** *	**$ 2,359,847**	**$ 5,710,307**	**$ 40,065,413**

Endowment net asset composition by type of fund as of June 30, 2016, is comprised of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 1,424,350	$ 5,678,611	$ 7,102,961
Board-designated endowment funds	28,405,235	-	-	28,405,235
Total endowment funds	**$ 28,405,235** *	**$ 1,424,350**	**$ 5,678,611**	**$ 35,508,196**

*Unrestricted net assets on the statement of financial position include board designated endowment assets of $31,995,259 and accumulated operating losses of $9,477,518, primarily related to depreciation expense as of June 30, 2017. Unrestricted net assets on the statement of financial position include board designated endowment assets of $28,405,235 and accumulated operating losses of $8,144,043, primarily related to depreciation expense as of June 30, 2016.

Changes in endowment net assets for the fiscal year ended June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 28,405,235	$ 1,424,350	$ 5,678,611	$ 35,508,196
Investment return:				
Investment earnings	808,784	142,150	-	950,934
Net appreciation (relazied and unrealized)	3,942,402	888,859	-	4,831,261
Total investment (loss) return	4,751,186	1,031,009	-	5,782,195
Contributions	-	47,500	96,816	144,316
Appropriation of endowment assets for restricted expenses	(72,737)	(34,264)	-	(107,001)
Annual board appropriation of endowment funds to operations	(1,088,425)	(173,868)	-	(1,262,293)
Net assets released from restrictions	-	65,120	(65,120)	-
Endowment net assets, end of year	**$ 31,995,259**	**$ 2,359,847**	**$ 5,710,307**	**$ 40,065,413**

Changes in endowment net assets for the fiscal year ended June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 30,060,368	$ 1,477,116	$ 5,660,991	$ 37,198,475
Investment return:				
Investment earnings	688,432	156,307	-	844,739
Net (depreciation) appreciation (realized and unrealized)	(3,266,112)	128,824	-	(3,137,288)
Total investment (loss) return	(2,577,680)	285,131	-	(2,292,549)
Contributions	-	-	17,620	17,620
Board approved transfer	2,000,000	-	-	2,000,000
Appropriation of endowment assets for restricted expenses	-	(158,064)	-	(158,064)
Annual board appropriation of endowment funds to operations	(1,077,453)	(179,833)	-	(1,257,286)
Endowment net assets, end of year	**$ 28,405,235**	**$ 1,424,350**	**$ 5,678,611**	**$ 35,508,196**

(14) Lease Commitments

WWCI leases the land upon which WTTW's and WFMT's general office and studio building is constructed, as well as transmission and antenna space. WWCI incurred aggregate rental expense of approximately $747,000 and $744,000 for the years ended June 30, 2017 and 2016, respectively. The future minimum payments due under noncancelable operating leases in effect as of June 30, 2017 are as follows:

Year ending June 30:	
2018	915,000
2019	934,000
2020	954,000
2021	366,000
2022	91,000
Thereafter (expires in 2062)	2,906,000
	$ 6,166,000

The future minimum payments above may be reduced by up to $765,000 for underwriting that WWCI has contracted to provide a certain lessor in lieu of cash rental payments. WWCI recognized approximately $329,000 and $241,000 in lease barter revenue and expense during the years ended June 30, 2017 and 2016, respectively.

The leases contain annual escalation clauses and, accordingly, rent expense is recorded on the straight-line basis over the life of the lease.

(15) Retirement Plan

All eligible employees are included in the WWCI defined contribution retirement plan. Under this plan, eligible employees may voluntarily contribute up to 4.5% of their base compensation to the plan; such contributions are matched by WWCI up to 4.5% for all employees. An amount equal to 3% of the base compensation of eligible union employees is also contributed by WWCI. All contributions are used to purchase mutual funds and individual annuity contracts. The amount contributed and charged to expense for the years ended June 30, 2017 and 2016 was $431,280 and $451,991, respectively.

(16) Contingencies

WWCI is subject to potential legal actions which arise in the ordinary course of business. In the opinion of management, based upon opinions of legal counsel, the disposition of all potential or threatened claims will not have a material impact on the financial position of WWCI.

(17) Supplemental Cash Flow and Other Information

Cash payments for interest amounted to $301,916 and $336,528 for the years ended June 30, 2017 and 2016, respectively.

Interest expense was $345,633 and $309,033 for the years ended June 30, 2017 and 2016, respectively.

As of June 30, 2017 and 2016, WWCI purchased broadcast, production and information technology equipment in the amounts of $111,493 and $45,716, respectively, which was included in accounts payable.