WINDOW TO THE WORLD COMMUNICATIONS, INC.

(A Private Nonprofit Corporation)

Financial Statements for the Year Ended
June 30, 2019
(With Independent Auditor's Report Thereon)

Window to the World Communications, Inc.

(A Private Nonprofit Corporation)

Year Ended June 30, 2019

Contents

Page

Plante & Moran, PLLC
10 South Riverside Plaza
9th floor
Chicago, IL 60606
Tel: 312.207.1040
Fax: 312.207.1066
plantemoran.com

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. (WWCI), which comprise the statement of financial position as of June 30, 2019 and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Window to the World Communications, Inc. as of June 30, 2019 and the changes in its net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 4 to the financial statements, the financial statements include investments valued at $20,630,395 (42.2 percent of net assets) as of June 30, 2019, whose fair values have been estimated by management in the absence of readily determinable fair values. Because of the inherent uncertainty of valuation, management's estimate of values may differ significantly from values that would have been used had a ready market existed for these securities, and the differences could be material. Our opinion is not modified with respect to this matter.

As described in Note 2 to the financial statements, WWCI adopted the provisions of Accounting Standards Update No. 2016-14 for the year ended June 30, 2019. Our opinion is not modified with respect to this matter.

Plante & Moran, PLLC

February 10, 2020

WINDOW TO THE WORLD COMMUNICATIONS, INC.

(A Private Nonprofit Corporation)

Statement of Financial Position

Year Ended June 30, 2019

Assets		**2019**
Current assets:		
Cash	$	1,221,326
Accounts receivable, net		1,683,964
Pledges receivable, net		2,743,743
Program rights and other assets		699,358
Total current assets		6,348,391
Long-term pledges receivable, net		1,316,229
Beneficial interest in trust		829,378
Noncurrent program rights and other assets		133,915
Investments		49,232,329
Property and equipment, net		15,203,552
Federal Communications Commission licenses		437,123
Total assets	**$**	**73,500,917**
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$	3,294,370
Deferred revenue		861,966
Accrued vacation		1,166,394
Severance liability		304,319
Current portion of loan payable		500,000
Total current liabilities		6,127,049
Loan payable		17,800,000
Long-term accrued expenses		689,823
Total liabilities		24,616,872
Net assets:		
Without donor restrictions		25,373,928
With donor restrictions		23,510,117
Total net assets		48,884,045
Total liabilities and net assets	**$**	**73,500,917**

See accompanying notes to financial statements.

WINDOW TO THE WORLD COMMUNICATIONS, INC.
(A Private Nonprofit Corporation)
Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities:			
Revenue and public support:			
Direct public support and program service revenue:			
Viewer and listener marketing	$ 15,776,117	$ —	$ 15,776,117
TV and radio underwriting/advertising	5,721,911	1,598,650	7,320,561
National and local TV production contracts	977,424	—	977,424
Development and special events	5,151,932	-	5,151,932
Campaign pledges	—	2,064,671	2,064,671
Web and print sponsorship	258,784	—	258,784
Net assets released from restrictions	6,121,451	(6,121,451)	—
	34,007,619	(2,458,130)	31,549,489
Federal CPB and state grants	4,312,224		4,312,224
Program licensing and facilities rental	1,161,895	—	1,161,895
Annual appropriation from endowments	1,389,760	210,240	1,600,000
Miscellaneous	860,362	—	860,362
	7,724,241	210,240	7,934,481
Total revenue and public support	41,731,860	(2,247,890)	39,483,970
Expenses:			
Program:			
Develop, acquire and deliver local content	22,737,023	—	22,737,023
National TV productions	1,552,480	—	1,552,480
Sales and syndication	4,195,479	—	4,195,479
Corporate communications	244,732	—	244,732
	28,729,714	—	28,729,714
Supporting services:			
Viewer and listener marketing	6,303,045	—	6,303,045
Business support	3,740,765	—	3,740,765
Development and special events	2,680,207	—	2,680,207
	12,724,017	—	12,724,017
Total expenses	41,453,731	—	41,453,731
Increase (decrease) in net assets from operating activities before other income	278,129	(2,247,890)	(1,969,761)
Other income (expenses):			
Investment earnings, net of expenses	1,330,174	153,182	1,483,356
Annual appropriation to operations	(1,389,760)	(210,240)	(1,600,000)
Severance expense	(550,196)	—	(550,196)
Other income	28,651	—	28,651
Endowment giving	—	2,580,434	2,580,434
(Decrease) Increase in net assets from other income (expense)	(581,131)	2,523,376	1,942,245
(Decrease) Increase in net assets	(303,002)	275,486	(27,516)
Net assets, beginning of year	25,676,930	23,234,631	48,911,561
Net assets, end of year	**$ 25,373,928**	**$ 23,510,117**	**$ 48,884,045**

See accompanying notes to financial statements.

WINDOW TO THE WORLD COMMUNICATIONS, INC.
(A Private Nonprofit Corporation)
Statement of Functional Expenses
Year Ended June 30, 2019

	Total Programming & Production	Total Fundraising	Total Administration	Total
Salaries and benefits	13,710,181	3,359,251	1,949,915	19,019,347
PTV program acquisitions and dues	5,257,958	-	-	5,257,958
Member acquisitions and premiums	1,361	2,169,652	956	2,171,969
Outside services	3,146,360	997,171	571,386	4,714,917
Utilities	541,790	135,000	75,000	751,790
Postage and printing	6,429	1,614,751	2,387	1,623,567
Occupancy	838,815	52,097	98,792	989,704
Production and Talent	1,026,706	106,009	5,203	1,137,918
Parts, supplies and maintenance	979,788	133,148	374,142	1,487,078
Debt costs	493,940	121,688	108,591	724,219
Professional services	18,042	58,940	406,350	483,332
Travel & Training	214,011	26,757	34,631	275,399
Insurance	185,000	46,000	26,385	257,385
Depreciation	2,309,333	162,788	87,027	2,559,148
Total functional expenses	**$ 28,729,714**	**$ 8,983,252**	**$ 3,740,765**	**$ 41,453,731**

WINDOW TO THE WORLD COMMUNICATIONS, INC.

(A Private Nonprofit Corporation)

Statement of Cash Flows

Year Ended June 30, 2019

		2019
Cash flows from operating activities:		
Decrease in net assets	$	(27,516)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization of property and equipment		2,559,148
Change in allowance for membership pledges receivable		(42,546)
Net gain on sales of assets		(40,494)
Gifts restricted for long-term purposes		(2,580,434)
Net realized and unrealized loss on investments		351,062
Beneficial interest in trust		5,564
Changes in current assets and liabilities:		
Accounts receivable, net		327,045
Pledges receivable, net		(337,514)
Program rights and other assets		120,910
Accounts payable and accrued expenses		(264,671)
Deferred revenue		(404,180)
Accrued vacation		4,815
Severance liability		(277,440)
Changes in noncurrent assets and liabilities:		
Pledges receivable, net		304,499
Program rights and other assets		(49,636)
Long-term accrued expenses		(257,561)
Net cash used in operating activities		(608,949)
Cash flows from investing activities:		
Purchases of property and equipment		(986,945)
Proceeds from disposals of property and equipment		87,936
Purchases of investments		(3,311,334)
Sales of investments		1,043,989
Net cash used in investing activities		(3,166,354)
Cash flows from financing activities:		
Borrowings under line of credit		5,500,000
Repayments of line of credit		(5,500,000)
Repayments of loan payable		(500,000)
Gifts restricted for long-term purposes		2,430,434
Net cash provided by financing activities		1,930,434
Net decrease in cash		(1,844,869)
Cash, beginning of year		3,066,195
Cash, end of year	**$**	**1,221,326**

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 in accordance with U.S. generally accepted accounting principles (US GAAP), which require WWCI to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of WWCI's management and its Board of Trustees.

Net assets with donor restrictions: Net assets subject to stipulation imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of WWCI or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

(b) Contributions

Contributions, including viewer marketing, received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair market value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions, otherwise the contributions are recorded as net assets without donor restrictions.

(c) Program Service Revenue

Program service revenues are derived from various revenue sources which include, but are not limited to, TV and radio underwriting/advertising and local and national TV production contracts.

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 the accounts receivable is based upon management's estimate of the collectability 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 collectability of a receivable balance is uncertain. Management also records a 3 percent general reserve for trade receivables.

(d) Functional expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program, fundraising and general and administrative services which were benefited by those costs. Such allocations are determined by management on an equitable basis. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts. The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and benefits	Directly charged based on time tracked
Utilities	Direct expenditures
Occupancy	Direct expenditures
Debt costs	Direct expenditures and head count
Depreciation	Square footage and head count

(e) Federal and State Grants

Revenue from grants by the Corporation for Public Broadcasting (CPB) and the State of Illinois is recognized as unrestricted grant revenue as expenses are incurred on the underlying project.

(f) Operations

Operating results in the statements of activities reflect all day to day operating transactions which increase or decrease net assets without restrictions, except those related to donor-imposed restrictions or non-recurring transactions.

(g) Severance Expense

During fiscal year 2019, WWCI recognized expenses of $550,196 as a result of severance benefits.

(h) Cash

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

(i) 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 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.

(j) 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.

(k) FCC Licenses

The cost of the WFMT license issued by the Federal Communications Commission (FCC) to WWCI has not been amortized since 1970. WWCI assesses the asset annually for impairment and believes there has been no decrease in the value of this license. In fiscal year 2018, WWCI acquired the FCC license to WYCC. The license is assessed annually for impairment.

(l) Use of Estimates

The preparation of financial statements in conformity with US GAAP 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.

(m) 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 the 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.

(n) 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 year ended June 30, 2019.

WWCI's application of USGAAP 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.

(o) Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including February 10, 2020, which is the date the financial statements were available to be issued.

(p) Adoption of New Accounting Pronouncements

As of July 1, 2018, WWCI adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities*. This standard requires net assets to be classified in two categories, net assets without donor restrictions and net assets with donor restrictions, rather than the three previous classifications. In addition, the underwater portion of donor-restricted endowments is now reported as net assets with donor restrictions. This standard also requires changes in the way certain information is aggregated and reported by the organization, including disclosures of quantitative and qualitative information about the liquidity and availability of resources and the presentation of expenses by both functional and natural classification. The standard also clarifies the definition of management and general and prohibits certain expenses from being allocated out of management and general. Net assets of $16,424,324 previously reported as temporarily restricted net assets and net assets of $6,810,307 previously reported as permanently restricted net assets have been combined into net assets with donor restrictions.

(q) Upcoming Accounting Changes

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The accounting guidance will result in more governmental contracts being accounted for as contributions and may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The new guidance will be effective for WWCI's year ending June 30, 2020 and will be applied on a modified prospective basis. WWCI does not expect the standard to have a significant impact on the timing of revenue recognition for government grants and contracts but has not yet determined the impact on the timing of recognition of foundation and individual grants and contributions.

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. During management's review of the various revenue streams, it was determined that the timing of revenue recognition on underwriting/advertising and national and local TV production contracts may have an impact on the timing of recognizing revenue. Additionally, there will be new disclosures related to revenue from contracts with customers.

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 13. 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:

		2019
Current:		
Trade (net of allowance for doubtful accounts of $80,300 as of June 30, 2019)	$	821,373
Contracts and other receivables		862,591
Total current receivables, net	**$**	**1,683,964**
Pledges:		
Membership (net of allowance for doubtful accounts of $188,097 as of June 30, 2019)	$	512,277
Underwriting	$	500,000
Campaign		1,731,466
Total curent pledge receivables, net	**$**	**2,743,743**
Long-term pledges (net of allowance for doubtful accounts of $0 as of June 30, 2019)	**$**	**1,316,229**

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

The future pledges receivable as of June 30, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Less than one year	$ 700,374	$ 2,231,466	$ 2,931,840
One to five years	-	1,427,500	1,427,500
More than five years	-	-	-
	700,374	3,658,966	4,359,340
Less allowance for doubtful accounts	(188,097)	-	(188,097)
	512,277	3,658,966	4,171,243
Less discount	-	(111,271)	(111,271)
Net	**$ 512,277**	**$ 3,547,695**	**$ 4,059,972**

(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 table sets 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, 2019. 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, 2019	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	$ 17,245,228	$ 14,934,326	$ 2,310,903	$ -	$ -
Small cap	2,125,975	2,125,975	-	-	-
Total U.S. equity funds	19,371,203	17,060,301	2,310,903	-	-
Fixed income funds	4,016,600	4,016,600	-	-	-
International equity funds	5,214,130	5,214,130	-	-	-
Alternative investments:					
Absolute return	7,076,218	-	-	-	7,076,218
International equity	6,946,430	-	-	-	6,946,430
Hedged equity	6,599,662	-	-	-	6,599,662
Private equity	8,085	-	-	-	8,085
Total alternative investments	20,630,395	-	-	-	20,630,395
Beneficial interest in trust	829,378	-	-	829,378	-
	$ 50,061,707	**$ 26,291,031**	**$ 2,310,903**	**$ 829,378**	**$ 20,630,395**

The following table reconciles the June 30, 2019 fair values to the related investments as shown on the Statement of Financial Position.

Fair values as of June 30, 2019	$ 50,061,707
Less:	
Beneficial interest in trust	(829,378)
Total investments per Statement of Financial Position	$ 49,232,329

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 year that ended June 30, 2019.

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.

Level 1

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.

Level 2

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

Level 3

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 statement of activities in the period in which they occur.

The following table presents a reconciliation of the beginning and ending balances recorded for instruments classified as Level 3 in the fair value hierarchy as of June 30, 2019.

	Beneficial Interest in Trust
Assets:	
Beginning balance, June 30, 2018	$ 834,942
Total realized gains or losses included in change in net assets	-
Total unrealized losses included in change in net assets	(5,564)
Ending balance, June 30, 2019	**$ 829,378**
Total losses for the period included in change in net assets attributable to the change in unrealized gains or losses relating to Level 3 assets still held as of June 30, 2019	**$ (5,564)**

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 period above are reported in investment earnings, net of expenses in the statement of activities. Level 3 unrealized gains and losses included in the changes in net assets that are still held as of June 30, 2019 for the period above are reported in investment earnings, net of expenses in the statement 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, 2019. The below investments are valued at net asset value and there are no unfunded commitments as of June 30, 2019.

Description	Fair Values as of June 30, 2019	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Assets:			
Alternative investments:			
Absolute return (a)	$ 2,256,943	Annually, after lock up expires	45-95 days
Absolute return (a)	4,819,275	Quarterly	65 days
International equity (b)	2,476,104	Weekly	5 days
International equity (b)	4,470,326	Daily, monthly	5 -30 days
Hedged equity (c)	6,599,662	5 yr lockout	60 days
Private equity (d)	8,085	None	None
Total alternative investments	**$ 20,630,395**		

(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. As of June 30, 2019, 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.

(b) This category includes investments in Asia and Latin America’s emerging markets debt and equity securities As of June 30, 2019, 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, 2019, 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, 2019 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:

	2019	
	Cost	**Fair Value**
U.S. equity funds:		
Harbor Fund	$ 4,272,129	$ 7,828,852
Dodge & Cox fund	4,902,198	7,105,473
Longleaf Partners	1,074,481	1,039,904
Alpha One Fund	1,134,308	1,086,071
Rock Springs Fund	1,500,000	2,310,903
Total U.S. equity funds:	12,883,117	19,371,203
Fixed income funds	3,949,241	4,016,600
International equity funds	4,668,165	5,214,130
Alternative investments:		
Absolute return	5,057,425	7,076,218
International equity	4,950,000	6,946,430
Hedged equity	5,455,382	6,599,662
Private equity	18,310	8,085
Total alternative investments	15,481,118	20,630,395
Total long-term investments	**$ 36,981,641**	**$ 49,232,329**

(6) Property and Equipment

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

	2019
Technical equipment	$ 33,757,748
Building and leasehold improvements	24,868,726
Furniture, fixtures, and other assets	8,327,992
Deposits	740,752
Total property and equipment	67,695,218
Less accumulated depreciation and amortization	(52,491,667)
Net property and equipment	**$ 15,203,552**

Depreciation and amortization for the year ended June 30, 2019 was $2,559,148.

(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 $1,000,000 for tax purposes for the year ended June 30, 2019 and that its unrelated business income net operating loss carryforward as of June 30, 2019 will be approximately $11,155,000. Any net operating loss carryforwards generated in fiscal years prior to 2019 expire at various dates through 2040. Any net operating losses generated beginning in 2019 and going forward can be carried forward indefinitely. As a result of previously accumulated unrelated business net operating losses, no provision for income taxes was required in the accompanying financial statements for the fiscal years ended June 30, 2019.

(9) Line of Credit

WWCI has a line of credit agreement with PNC Bank N.A. to support working capital requirements. This agreement as of June 30, 2019 permits borrowings of up to $5,000,000. Outstanding borrowings bear interest at the current LIBOR (2.33% as of June 30, 2019) plus 1.0%. This agreement is cross-collateralized and cross-defaulted with all other present and future obligations of WWCI. The agreement expires May 30, 2020 and management fully expects to extend the line of credit. As of June 30, 2019, 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 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 for which PNC has a lien over. 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 $18,300,000 as of June 30, 2019. Outstanding borrowings bear interest at the current LIBOR (2.44% as of June 30, 2019) 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:	
2020	$ 500,000
2021	17,800,000
	$ 18,300,000

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) Net Assets with Donor Restrictions

Net assets are available for the following purposes or periods as of June 30, 2019:

	2019
Time restriction	
General	$ 3,282,880
Purpose restriction	
Campaign	6,362,768
Opera broadcasts	433,560
Chicago Tonight internships	329,662
Midnight Special	136,372
Patner internships	(5,344)
Davee Digitalization	52,505
Endowment Investments	9,357,741
	16,667,264
Time and purpose restriction	
Campaign	3,559,972
	3,559,972
Net Assets with Donor Restrictions	$ 23,510,117

Campaign restrictions noted above are for WWCI's Imagining More Campaign. The campaign has three distinct pillars. The three pillars of the Imagining More campaign are More Storytelling (programming on all our platforms), More Possibility (technology, infrastructure, and endowment), and More Community (community engagement). Releases from funds with donor restrictions to funds without donor restrictions are outlined by pillar below:

More Storytelling	$ 4,739,511
More Possibility	1,172,941
More Community	209,000
Total	$ 6,121,451

(12) Endowment

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

WWCI is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Trustees appropriates such amounts for expenditures. Most of those net assets are also subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Trustees of WWCI has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, WWCI considers a fund to be underwater if the fair market value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. WWCI has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, 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 $1,600,000 in 2019. 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.

Funds with Deficiencies

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 SPMIFA requires WWCI to retain as a fund of perpetual duration. Deficiencies of this nature are reported in net assets with donor restrictions. There were no deficiencies as of June 30, 2019.

Endowment net asset composition by type of fund as of June 30, 2019, is comprised of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 35,343,409	$ -	$ 35,343,409
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	9,207,741	9,207,741
Accumulated investment gains (losses)	-	2,966,697	2,966,697
Total donor- restricted endowment funds	-	12,174,438	12,174,438
Total	**$ 35,343,409**	**$ 12,174,438**	**$ 47,517,847**

Net assets without donor restrictions on the statement of financial position include board designated endowment assets of $35,343,409 and accumulated operating losses of $11,155,000 primarily related to accumulated depreciation expense as of June 30, 2019.

Changes in endowment net assets for the fiscal year ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 35,627,577	$ 9,611,511	$ 45,239,088
Investment return:			
Investment earnings	1,509,598	294,723	1,804,321
Net (depreciation) appreciation (realized and unrealized)	(386,233)	208,837	(177,396)
Total investment return	1,123,365	503,560	1,626,924
Contributions	-	2,430,434	2,430,434
Appropriation of endowment assets for restricted expenses	(94,439)	(160,827)	(255,266)
Annual board appropriation of endowment funds to operations	(1,313,093)	(210,240)	(1,523,333)
Endowment net assets, end of year	**$ 35,343,409**	**$ 12,174,438**	**$ 47,517,847**

(13) Lease Commitments

WWCI leases the land upon which WTTW's and WFMT's general office and studio building is situated, as well as transmission and antenna space. WWCI incurred aggregate rental expense of approximately $759,000 for the year ended June 30, 2019. The future minimum payments due under not cancelable operating leases in effect as of June 30, 2019 are as follows:

Year ending June 30:	
2020	965,000
2021	865,000
2022	848,000
2023	873,000
2024	899,000
Thereafter (expires in 2062)	5,567,000
	$ 10,017,000

The future minimum payments above may be reduced by up to $2,207,000 for underwriting that WWCI has contracted to provide a certain lessor in lieu of cash rental payments. WWCI recognized approximately $230,000 in lease barter revenue and expense during the year ended June 30, 2019.

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

(14) Retirement Plan

All eligible employees are included in the WWCI defined contribution retirement plan. Under this plan, eligible employees may voluntarily contribute up to 6.0% of their base compensation to the plan for the year ended June 30, 2019. Such contributions are matched by WWCI up to 6.0% for all employees for the year ended June 30, 2019. All contributions are used to purchase mutual funds and individual annuity contracts. The amount contributed and charged to expense for the year ended June 30, 2019 was $509,771.

(15) 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.

(16) Supplemental Cash Flow and Other Information

Cash payments for interest amounted to $658,170 for the year ended June 30, 2019.

Interest expense was $663,538 for the year ended June 30, 2019.

As of June 30, 2019, WWCI purchased broadcast, production and information technology equipment in the amount of $145,970, which was included in accounts payable.

(17) Liquidity and Availability of Financial Assets

The following table reflects WWCI's financial assets as of June 30, 2019, reduced by amounts not available for general use because of contractual or donor imposed restrictions within one year of June 30, 2019. Amounts not available include amounts set aside for long-term investing in the board-designated endowment fund that could be drawn upon if the governing board approves that action. However, amounts that are already appropriated from either the donor-restricted endowment or board designated endowment for general expenditure within one year of June 30, 2019 have not been subtracted as unavailable.

	2019
Financial assets	
Cash	$ 1,221,326
Investments	49,232,329
Beneficial Interest in Trust	829,378
Other receivables, net	1,683,964
Pledges receivable, net	4,059,972
Total financial assets at June 30, 2019	57,026,969
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with implied time restrictions - pledges collectible in one to five years	(1,316,229)
Restricted by donors with time or purpose restrictions subject to appropriation and satisfaction of donor restrictions	(9,207,741)
Campaign Restrictions	(6,223,040)
Investments held in third party trusts	(829,378)
Endowment funds	(36,710,106)
Financial assets available to meet cash needs for general expenditures within one year	$ 2,740,475

WWCI is partially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, WWCI must maintain sufficient resources to meet those responsibilities to donors. Thus, financial assets may not be available for general expenditures within one year. As part of WWCI's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. It is WWCI's policy to have 14 months of operating expenses, calculated using annual budget amounts exclusive of distributions and major expenses available for current operations. The shortfall or surplus amounts on hand are applied to the Quasi Board Designated endowment fund, upon approval by WWCI's chief financial officer. In the event of an unanticipated liquidity need, WWCI could also draw upon its $5 million line of credit, as described in note 9.