



Chicago Public Media, Inc.

CONSOLIDATED FINANCIAL REPORT
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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Independent Auditor's Report

To the Board of Directors
Chicago Public Media, Inc.

Opinion

We have audited the consolidated financial statements of Chicago Public Media, Inc. (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021 and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021 and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

To the Board of Directors
Chicago Public Media, Inc.

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Plante & Moran, PLLC

October 17, 2022

Consolidated Statements of Financial Position

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$16,824,417	\$9,189,771
Pledges receivable, net of discount	16,616,700	3,389,741
Grants receivable	7,285,000	230,000
Underwriting and other receivables, net of allowance	2,427,365	1,257,750
Prepaid Expenses	1,031,615	368,825
Investments	53,201,917	57,717,519
Property and equipment, net	17,400,873	18,630,926
Right-of-use asset	1,903,905	1,618,563
Frequency rights and other intangible assets	1,360,513	1,360,513
Asset under swap agreement	1,817,177	-
Total Assets	<u>\$119,869,482</u>	<u>\$93,763,608</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$1,170,915	\$519,932
Accrued expenses	3,926,737	1,829,454
Operating lease liability	1,921,712	1,618,563
Deferred revenue	3,313,132	44,222
Promissory note payable	4,499,972	4,999,974
Revenue bonds payable, net of issuance costs	21,841,484	21,832,799
Liability under swap agreement	-	802,481
Total Liabilities	<u>36,673,952</u>	<u>31,647,425</u>
Net assets		
Net assets without donor restrictions	51,932,995	54,932,420
Net assets with donor restrictions	31,262,535	7,183,763
Total net assets	<u>83,195,530</u>	<u>62,116,183</u>
Total Liabilities and Net Assets	<u>\$119,869,482</u>	<u>\$93,763,608</u>

See notes to the consolidated financial statements.

Chicago Public Media, Inc.

Consolidated Statements of Activities
Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues						
Membership contributions	\$13,134,143	-	\$13,134,143	\$13,087,560	-	\$13,087,560
Circulation	9,166,994	-	9,166,994	-	-	-
Corporation for Public Broadcasting - Community Service Grant	1,015,436	368,180	1,383,616	1,161,047	1,169,198	2,330,245
Contributions and other grants	2,432,016	36,820,395	39,252,411	2,703,967	3,417,158	6,121,125
Program underwriting and advertising	8,864,986	-	8,864,986	4,496,433	-	4,496,433
Contributions of Nonfinancial Assets	1,360,493	-	1,360,493	1,446,461	-	1,446,461
Special events (net of expenses of \$131,203 and \$119,964, respectively)	864,584	-	864,584	899,025	-	899,025
Production, rental, and other revenue	2,739,047	-	2,739,047	3,406,397	-	3,406,397
Total operating revenue	39,577,699	37,188,575	76,766,274	27,200,890	4,586,356	31,787,246
Net assets released from restrictions	12,213,049	(12,213,049)	-	4,933,933	(4,933,933)	-
Net assets released from restrictions - Corporation for Public Broadcasting - Emergency Stabilization	740,423	(740,423)	-	-	-	-
Total operating revenues, including restricted and released revenues	52,531,171	24,235,103	76,766,274	32,134,823	(347,577)	31,787,246
Operating expenses						
Program services						
Content creation	19,152,336	-	19,152,336	13,271,914	-	13,271,914
Content distribution	9,011,604	-	9,011,604	2,708,194	-	2,708,194
Community and audience engagement	3,167,285	-	3,167,285	2,792,145	-	2,792,145
Total program services	31,331,225	-	31,331,225	18,772,253	-	18,772,253
Supporting services						
Management and General	5,569,368	-	5,569,368	3,276,540	-	3,276,540
Fundraising	8,620,245	-	8,620,245	6,685,312	-	6,685,312
Total supporting services	14,189,613	-	14,189,613	9,961,852	-	9,961,852
Total operating expenses	45,520,838	-	45,520,838	28,734,105	-	28,734,105
Increase (decrease) in net assets from operations	7,010,333	24,235,103	31,245,436	3,400,718	(347,577)	3,053,141
Nonoperating activities						
Change in investments	(7,453,983)	(156,331)	(7,610,314)	5,560,107	436,950	5,997,057
Change in value of interest rate swap agreements	2,619,658	-	2,619,658	(182,507)	-	(182,507)
Gain (loss) on disposal of assets	124,674	-	124,674	(974)	-	(974)
Gain on forgiveness of Paycheck Protection Program term loan	-	-	-	2,878,902	-	2,878,902
Acquisition expenses	(1,509,969)	-	(1,509,969)	-	-	-
Excess of liabilities over assumed assets from acquisition	(3,790,138)	-	(3,790,138)	-	-	-
Total nonoperating activities	(10,009,758)	(156,331)	(10,166,089)	8,255,528	436,950	8,692,478
(Decrease) increase in net assets	(2,999,425)	24,078,772	21,079,347	11,656,246	89,373	11,745,619
Net assets						
Beginning of year	54,932,420	7,183,763	62,116,183	43,276,174	7,094,390	50,370,564
End of year	\$51,932,995	\$31,262,535	\$83,195,530	\$54,932,420	\$7,183,763	\$62,116,183

See notes to the consolidated financial statements.

Chicago Public Media, Inc.

Consolidated Statements of Functional Expenses

Year Ended June 30, 2022

	Program Services				Supporting Services		2022
	Content Creation	Content Distribution	Community and Audience Engagement	Total	Management and General	Fundraising	
Salaries and Benefits	12,487,547	1,687,246	1,771,444	15,946,237	3,331,351	3,859,316	23,136,904
Programming and Production Costs	2,412,900	3,730,019	-	6,142,919	-	-	6,142,919
Membership Services	-	-	244,311	244,311	-	960,521	1,204,832
Marketing and Public Relations	21,444	31,485	321,058	373,987	-	101,436	475,423
Consulting, Freelance, and Professional Fees	822,334	2,147,094	178,012	3,147,440	1,029,373	1,997,779	6,174,592
Travel and Training	171,400	7,438	10,064	188,902	49,717	30,334	268,953
In Kind Occupancy, Services, and Trade	1,029,814	129,644	75,042	1,234,500	169,033	240,097	1,643,630
Technology and Supplies	320,600	517,867	404,701	1,243,168	235,187	380,113	1,858,468
Dues and Subscriptions	82,134	859	317	83,310	14,122	23,572	121,004
Occupancy	455,799	204,812	34,273	694,884	93,909	93,843	882,636
Insurance	189,341	29,364	16,282	234,987	35,537	45,400	315,924
Miscellaneous	5,811	5,297	216	11,324	273,649	28,196	313,169
Financing and Other Bank and Transaction Costs	290,991	63,400	36,698	391,089	139,252	638,670	1,169,011
Depreciation and Amortization	862,221	457,079	74,867	1,394,167	198,238	220,968	1,813,373
	\$19,152,336	\$9,011,604	\$3,167,285	\$31,331,225	\$5,569,368	\$8,620,245	\$45,520,838

See notes to the consolidated financial statements.

Chicago Public Media, Inc.

Consolidated Statements of Functional Expenses

Year Ended June 30, 2021

	Program Services			Supporting Services		
	Content Creation	Content Distribution	Community and Audience Engagement	Management and General	Fundraising	Total
Salaries and Benefits	8,547,686	1,103,018	1,704,574	1,875,154	2,953,221	4,828,375
Programming and Production Costs	1,940,495	293,753	-	-	-	2,234,248
Membership Services	-	-	48,849	-	759,223	808,072
Marketing and Public Relations	5,240	-	302,139	-	46,999	354,378
Consulting, Freelance, and Professional Fees	220,214	44,451	114,407	807,431	1,574,627	2,761,130
Travel and Training	13,688	6,031	390	10,554	3,996	34,659
In-Kind Occupancy, Services, and Trade	1,048,284	126,853	71,728	133,303	236,452	1,616,620
Technology and Supplies	109,337	337,503	304,063	123,361	117,408	991,672
Dues and Subscriptions	33,847	4,088	124,791	12,083	27,425	202,234
Occupancy	195,206	185,738	13,925	49,783	45,905	490,557
Insurance	93,224	14,591	8,250	11,821	27,198	155,084
Miscellaneous	1,183	273	42	10,001	22,836	34,335
Financing and Other Bank and Transaction Costs	313,770	64,840	36,663	91,964	664,570	1,171,807
Depreciation and Amortization	749,740	527,055	62,324	151,085	205,452	1,695,656
Total Expenses	\$13,271,914	\$2,708,194	\$2,792,145	\$3,276,540	\$6,685,312	\$9,961,852

See notes to the consolidated financial statements.

Consolidated Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Increase in net assets	\$21,079,347	\$11,745,619
Adjustments to reconcile increase in net assets to net cash used in operating		
Depreciation and amortization	1,813,373	1,695,657
Change in right of use asset	(285,343)	304,554
Gain or loss on asset disposal	(124,674)	974
Net realized and unrealized loss (gain) on Investments	8,732,525	(6,027,009)
Change in value of interest rate swap agreements	(2,619,658)	182,507
Gain on forgiveness of Paycheck Protection term loan	-	(2,878,902)
Changes in:		
Pledges receivable	(13,226,959)	1,184,898
Grants receivable	(7,055,000)	164,135
Underwriting and other receivables	(1,169,615)	25,225
Prepaid expenses	(662,790)	5,442
Accounts payable	650,981	(623,173)
Accrued expenses	2,097,283	(175,413)
Operating lease liability	303,150	(304,554)
Deferred revenue	3,268,910	(24,146)
Net cash and cash equivalents provided by operating activities	12,801,530	5,275,814
Cash flows from investing activities		
Capital expenditures	(447,151)	(297,265)
Purchases of investments	(5,974,530)	(60,643,029)
Sales of investments	1,754,798	54,723,993
Net cash and cash equivalents used in investing	(4,666,883)	(6,216,301)
Cash flows from financing activities		
Principal payments on promissory note payable	(500,001)	(500,001)
Net cash and cash equivalents used in financing activities	(500,001)	(500,001)
Increase (decrease) in cash and cash equivalents	7,634,646	(1,440,488)
Cash and cash equivalents		
Beginning of year	9,189,771	10,630,259
End of year	\$16,824,417	\$9,189,771
Supplemental disclosure of cash flow information		
Cash paid for interest	\$568,929	\$596,538
Operating lease obligations entered into	813,861	174,485
Property and equipment additions included in accounts payable and accrued expenses	9,430	49,427

See notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Originally established as an extension service of the Chicago Board of Education, WBEZ first signed on in 1943. For most of its early years, the station only broadcast educational instruction, operating during the school year on weekdays while Chicago Public Schools were in session. In 1970, the station became one of the first charter member stations of National Public Radio (NPR). In 1990, Chicago Public Media, Inc. acquired the WBEZ license from the Board of Education as an independent community licensee and nonprofit, WBEZ Alliance, Inc.

In April 2010, Chicago Public Media's Board of Directors adopted the name "Chicago Public Media" to become a better recognized and stronger leader among public media creators and distributors, while aiming to continue the creation of challenging, informative, and emotional media experiences that enhance civic life and improve community health by further deepening and growing our existing portfolio of public media brands.

Today, Chicago Public Media serves the public interest by producing and delivering diverse, compelling content of multiple viewpoints and expression. Chicago Public Media broadcasts its service on four noncommercial FM radio stations: WBEZ 91.5 FM in Chicago, WBEQ 90.7 FM in Morris, 91.7 FM (W219CD) in Elgin, and WBEK 91.1 FM in Kankakee, Illinois; via WBEZ.org, smart speakers, mobile apps and podcasts; and in live events that generate conversations across communities. In 2005, Chicago Public Media launched a new media service, Vocalo, which is broadcast on WBEW 89.5 FM in Chesterton, Indiana, and on 91.1 FM (W216CL) in Chicago; online at Vocalo.org; and syndicated on multiple stations around Chicagoland.

Chicago Public Media occupies facilities on property leased under a long-term arrangement with Navy Pier, Inc., an Illinois nonprofit corporation at Navy Pier in Chicago. The facilities and improvements were financed, in part, by proceeds from the issuance of \$22,000,000 in revenue bonds.

Chicago Public Media, Inc. formed CPR Communications Services, LLC (CPR) in 2008 for the sole purpose of purchasing property for the construction of a new radio tower in Porter County, Indiana. In July 2011, Media Chicago, LLC (Media) was formed to invest in and develop new media and other property, to hold title property and to collect income for the exclusive benefit of its sole member, Chicago Public Media, Inc.

In January 2022, Chicago Public Media, Inc. formed an entity called Chicago Sun-Times Media, Inc. (CSTM), a Delaware not-for-profit corporation, that acquired the assets of the Sun-Times Media Group, LLC. and ST Acquisition Holdings LLC. for the sole purpose of extending its reach in providing news and information to educate and inform the public through local and independent journalism through print and digital publications, websites, mobile apps, social media, and community engagement. The results of the newly acquired entity have been included in these consolidated financial statements beginning after the acquisition date of January 31, 2022.

The following table summarizes fair values of the assets acquired and the liabilities assumed as of the acquisition date:

Cash and Cash Equivalents	\$60,534
Accounts receivable, net	871,037
Prepaid expenses	269,662
Property, plant, and equipment	374,210
Accounts payable	678,635
Accrued expenses	1,576,261
Deferred revenue	3,070,620
Operating lease liability	40,066

Acquisition-related costs, which include due diligence, legal, accounting, and valuation fees, totaled \$1,509,969 for the year ended June 30, 2022, and have been included in the acquisition expenses in the accompanying consolidated statement of activities. Additionally, in accordance with applicable requirements under not-for-

Note 1. Nature of Activities and Significant Accounting Policies – Continued

profit business combinations, Chicago Public Media, Inc. expensed \$3,790,138 for the year ended June 30, 2022, which represents the fair value of liabilities assumed over assets acquired as a result of this acquisition.

Through an Administrative Services Agreement, Chicago Public Media, Inc. and Chicago Sun-Times Media, Inc. share resources to conduct business related to further their charitable and educational purposes. In fiscal year 2022, shared resources from Chicago Public Media, Inc. to Chicago Sun-Times Media, Inc. totaled \$427,297, which is eliminated upon consolidation.

Chicago Public Media is a Section 501(c)(3) entity, which is exempt from federal income tax under Section 501(a) of the Internal Revenue Code and is exempt from federal and state income taxes (under applicable state law). CPR and Media are disregarded entities for tax purposes. CSTM applied for 501(c)(3) tax-exemption in February 2022 and was approved by the Internal Revenue Service on September 12, 2022. All entities are subject to taxes on unrelated business income.

Chicago Public Media, CPR, and Media, collectively referred to as WBEZ, and CSTM together are referred to herein as the Organization.

A summary of significant accounting policies is as follows:

Accounting policies: The Organization follows accounting standards established by the Financial Accounting Standards Board (FASB) to ensure consistent reporting of financial condition, results of activities and cash flows. References to accounting principles generally accepted in the United States of America (U.S. GAAP) in these footnotes are to the FASB Accounting Standards Codification™, sometimes referred to as the Codification or ASC. Management also follows the Corporation for Public Broadcasting's publication, Principles of Accounting and Financial Reporting for Public Telecommunication Entities, which follows U.S. GAAP and promotes consistency in financial reporting among public broadcasting entities.

Basis of presentation: The Organization follows the accounting guidance for financial statements of nonprofit organizations, which requires that net assets and related revenue, expenses, gains, and losses be classified into two classes of net assets – net assets without donor restrictions and net assets with donor restrictions, based upon the existence or absence of donor-imposed restrictions. These net asset classes are described as follows:

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor restrictions. Included in net assets without donor restrictions is \$5,850,000 and \$3,100,000 as of June 30, 2022 and 2021, respectively, which has been designated by the Organization's Board of Directors for organizational growth.

Net assets with donor restrictions: Net assets with donor restrictions arise from contributions whose use is limited by donor-imposed restrictions that either require the principal of a gift to be invested in perpetuity, expire with the passage of time, or can be fulfilled by actions of the Organization pursuant to those restrictions. When a restriction expires or is satisfied, net assets with donor restrictions are transferred to net assets without donor restrictions and are reported in the statement of activities as net assets released from donor restrictions.

Principles of consolidation: The consolidated financial statements include the activity of Chicago Public Media, Inc., CPR and Media, collectively referred to as WBEZ, and CSTM. All significant intercompany transactions have been eliminated upon consolidation.

Revenue from contracts with customers: The Organization's revenue streams under contracts with customers are:

1. Circulation (Print and Digital)
2. Advertising (Print and Digital)
3. Program Underwriting
4. Special Events
5. Production, rental, and other revenue, to include:
 - a. E-commerce Sales
 - b. Ticketed Events

Note 1. Nature of Activities and Significant Accounting Policies – Continued

Pledges and grants receivables: Pledges receivable are considered due within one year, unless otherwise indicated by the donor. Provision for estimated losses on collection of unpaid pledges is maintained at a level management believes is sufficient to cover potential losses and is based on the Organization's pledge collection history. Management considers all pledges to be fully collectible at June 30, 2022, and 2021. Pledges, not due within one year, are recorded at the present value of estimated future cash flows.

The Organization's sustaining membership program is known as High Fidelity. Donors choose an amount and frequency (monthly or annually) to contribute, and the Organization automatically bills the donor's credit card, debit card or bank account based on their selections. Donor contributions are non-binding until paid and revenue is recognized upon receipt.

Various grants for programming and general operations which have yet to be received in cash are recorded as grants receivable.

Cash and cash equivalents: The balances in certain of the Organization's cash accounts during the fiscal year have exceeded the federally insured limits from time to time. Management believes the Organization is not exposed to any significant credit risk related to cash. The Organization considers instruments with a maturity of 3 months or less to be a cash equivalent.

Investments: Investments are presented in the financial statements at fair value. Investment income, realized gains (losses), and change in unrealized gains (losses) are reflected in the consolidated statements of activities. Investments received as contributions are recorded at fair value at the date of receipt. Included in investments are cash equivalents which are intended to be held long term.

Investments are exposed to various risks such as interest rate, market, and credit risks. It is reasonably possible that changes in values of investments will occur in the near term and that such changes could materially affect the amounts reported.

Property and equipment: Land, leasehold improvements, equipment, and furnishings are recorded at cost. Land held for sale is recorded at the lower of its cost or fair value less costs to sell. It is the Organization's policy to capitalize property and equipment with a useful life longer than one year. Qualifying website development costs have been capitalized in accordance with accounting standards for website development costs. Depreciation is being recorded on equipment and furnishings on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are being amortized over the shorter of their estimated useful lives or the terms of their leases. Estimated useful lives range from three to forty years depending on the asset classification.

Frequency rights and other intangible assets: The Organization owns various frequency rights and intangibles. All license acquisitions were approved by the Federal Communications Commission (FCC), and include WBEW (FM), WRTE (FM), WBEK (FM), WBEQ (FM), and W219CD (FM). The Organization also acquired intellectual property, which is included in other intangible assets. These licenses and intellectual property are recorded as intangible assets on the consolidated statements of financial position.

Frequency rights and other intangible assets of \$1,360,513 for the years ending June 30, 2022 and 2021 are considered to have an indefinite life, and therefore, are not amortized. The value of these intangibles is assessed for impairment on an annual basis.

Interest-rate swap agreements: The Organization's interest-rate swap agreements are reported as assets or liabilities at fair value on the statement of financial position, with changes in fair value recorded in the current period change in net assets. The fair value of these agreements is the estimated amount the Organization would pay or receive to terminate the agreement, taking into account current interest rates and the current credit worthiness of the swap counterparty.

Contributions of nonfinancial assets and trade: The estimated fair value of business-related, in-kind contributions (principally operating space) and professional services are recorded as revenue and expense in the period that the contributions and services are received.

The estimated fair value of business-related, trade benefits, primarily the exchange of program underwriting for marketing and event services, is recorded as revenue and expense in the period that the obligation is fulfilled.

Note 1. Nature of Activities and Significant Accounting Policies – Continued

Revenue from contracts with customers – continued:

- c. Royalty and Wire Service Fees
- d. Trade
- e. Studio Rental
- f. Earn-out

Revenue recognized from contracts with customers was \$18,686,784 and \$4,952,706 for the year ended June 30, 2022 and 2021, respectively.

Summary of Performance Obligations: For each revenue stream identified above, revenue recognition is subject to the completion of performance obligations. Amounts received in advance are recorded as deferred revenue. The following explains the performance obligations related to each revenue stream and how those are recognized:

Circulation (Print and Digital):

Print circulation revenue results from the sale of print editions of newspapers to individual subscribers and to sales outlets that resell the newspapers. For individual subscribers, revenue is recognized at a point in time when the newspapers are delivered to the subscribers. For sales outlets, revenue is recognized at a point in time when the newspapers are delivered to the sales outlets or to an intermediary that has purchased the newspapers to resell to the sales outlets.

Digital circulation revenue results from the provision of online content to digital-only subscribers. The Organization recognizes revenue daily, per the contract term, as the customer receives access to the digital content.

The Organization receives a significant portion of the payments from its print and digital circulation subscribers in advance of the delivery of the content. These upfront payments and fees are recorded as deferred revenue upon receipt with revenue recognition occurring in future periods as performance obligations that are established by the subscription agreements are met.

Advertising (Print and Digital):

For print advertising, classified and preprint advertising, the transfer occurs at a point in time when the advertising appears in the newspaper. Print advertising revenue is typically in the form of a print display appearing in the newspaper or preprinted advertising inserts placed in Organization newspapers. Digital advertising consists of digital impressions, digital inserts, native advertising, or social media impressions. Customers submit advertisements to appear either in the print newspapers or digital subscriptions. Advertising revenue is recognized over time as the Organization satisfies performance obligations in amounts that reflect the consideration due.

Digital advertising is typically sold on a cost-per-impression basis. An advertiser pays an amount based on the number of days the advertisement is displayed on the Organization's websites. Revenue is recognized daily as the advertisement is displayed on the digital version of the publication(s).

Advertising revenue for the period January 31, 2022 to June 30, 2022 amounted to \$3,544,893.

Program Underwriting:

The Organization generates revenue from written and implied program underwriting agreements which identify specific obligations, such as air-time radio spots and digital impressions that are delivered on behalf of a corporate sponsor. These air-time radio spots and digital impressions are recognized over time as they are delivered, satisfying each performance obligation. Program underwriting revenue for the year ended June 30, 2022 and 2021 amounted to \$5,320,093 and \$4,496,433, respectively.

Special Events:

The Organization often hosts special events, such as a gala, to raise contributions and generate support for its mission. Special event tickets consist of an exchange portion and a contribution portion, set at the donor's discretion. The Organization records the exchange portion as deferred revenue and the contribution as

Note 1. Nature of Activities and Significant Accounting Policies – Continued

Summary of Performance Obligations – continued:

Special Events – continued: restricted revenue until the event occurs, at which time, all revenue is recognized, and the performance obligations are satisfied.

E-commerce Sales:

The Organization generates revenue from occasional pop-up, e-commerce merchandise sales. E-commerce sales are point-of-sale transactions and revenue is recognized at the point-in-time when the sales occur.

Ticketed Events:

The Organization earns revenue for ticketed events that are held throughout the year. The exchange-based revenue is recognized at the time of performance, meeting the performance obligation.

Royalty and Wire Service Fees:

The Organization earns revenue for royalty and wire services fees for the use of its news stories by other organizations. Royalty revenue is based on content usage and is earned over time. All but one wire service contract, which is month-to-month, are annual contracts with automatic one-year term renewals. This revenue is recognized over time.

Trade:

The Organization earns trade revenue by delivering air-time radio spots, digital impressions, and other alternative revenue on behalf of a sponsor in exchange for other products and services. This revenue is recognized over time as the performance obligations are satisfied.

Studio Rental:

The Organization earns studio rental revenue through the contracted use of its available studio space and equipment by groups or individuals for their own productions. Studio rental revenue is recognized once the renter has used the studio, satisfying the performance obligation.

Earn-out:

From July 2015, the Organization previously received a share of net revenues for two programs and recognized revenue based on a calculation of the Organization's share of earnings. In July 2020, the Organization released their rights to future revenue for one of the programs but is entitled to potential future payments for three years from the release date of their rights. For each year ended June 30, 2022 and June 30, 2021, \$172,400 was collected and is included with Production, rental, and other revenue in the statement of activities.

Underwriting receivables: Underwriting from corporations is recorded as a receivable each month after the corporation's name and message have been broadcast. An allowance for doubtful accounts is maintained at a level management believes is sufficient to cover potential losses. The allowance is based on specific identification of uncollectible accounts and the Organization's historical collection experience. The allowance was \$24,620 and \$27,089 on June 30, 2022, and 2021, respectively.

Within Underwriting and Other Receivables are the Organization's circulation and advertising receivables, net of an allowance for doubtful accounts. The Organization records receivables based on the amounts billed to circulation and advertising customers. The allowance for doubtful accounts is estimated by the Organization based on existing economic conditions and historical collection experience with customers. The allowance was \$197,615 as of June 30, 2022.

Contribution revenue: Membership and other contributions are recorded as receivables and recognized as revenue when pledged. If not pledged, membership and other contributions are recognized as revenue when received in cash. Grants and donations restricted for a particular purpose or project are recorded as revenue with restrictions when awarded and are transferred to the fund without donor restrictions when the provisions of the grants and donations are satisfied (net assets released upon meeting restricted purposes). Conditional promises to give (those with a measurable performance or other barrier and a right of return or release) are not recognized until the conditions on which they depend have been met. Conditional contributions that have been awarded but not yet recognized as revenue total \$11,000,000 as of June 30, 2022.

Note 1. Nature of Activities and Significant Accounting Policies – Continued

Use of estimates: In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions affecting the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income tax status: The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law, except for taxes pertaining to unrelated business income. In February 2022, CSTM applied for its 501(c)(3) tax exemption and was approved by the Internal Revenue Service on September 12, 2022. Its 501(c)(3) tax exemption will date back to January 6, 2022.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income. The tax benefits recognized in the financial statements from such a position, if any, are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the reporting periods presented in these financial statements.

The Organization files Form 990 in the U.S. federal jurisdiction and the State of Illinois and is generally no longer subject to examination by the Internal Revenue Service for tax years before 2019.

Major Supplier: The Organization's newspapers are largely printed and distributed by a single supplier. Failure by this supplier to fulfill its obligations could result in disruption of operations due to the inability of the Organization to print or distribute newspapers. Such failure could materially and adversely affect operations until an alternate supplier is in its place. Total print distribution and management fees paid to the supplier amounted to \$5,251,562 for the period from January 31, 2022 through June 30, 2022. The supplier also charges the Organization for scan losses, which are losses sustained from newspapers distributed through newsstands and convenience stores. Total scan losses for the period from January 31, 2022 through June 30, 2022 were \$278,308. As of June 30, 2022, the Organization has accrued \$452,907, related to printing and production costs owed to the above-referenced supplier.

Functional expenses: The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated by headcount include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and Benefits	(Technology Staff)
In-Kind Occupancy, Services, and Trade	
Technology and Supplies	
Occupancy	
Insurance	
Financing and Other Bank and Transaction Costs	
Depreciation and Amortization	

Adoption of new accounting pronouncement: In September 2020, the FASB issued ASU 2020 07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The ASU provides for additional disclosures to support clearer financial information about important noncash contributions charities and other not-for-profit organizations receive, known as gifts-in-kind (GIKs). Contributed nonfinancial assets are reported by category in Note 16 which includes additional disclosures as to whether the nonfinancial assets were monetized or used during the reporting period, the policy for monetizing nonfinancial contributions, and description of the fair value techniques used to arrive at a fair value measurement. The new guidance became effective as of July 1, 2021 and was applied using the retrospective method.

Note 1. Nature of Activities and Significant Accounting Policies – Continued

Subsequent events: The Organization evaluated its June 30, 2022 financial statements for subsequent events through October 17, 2022 the date the financial statements were available to be issued. Subsequent events have been disclosed in Notes 6, 7, 8, and 10.

Note 2. Pledges Receivable

The Organization receives pledges from various donors throughout the year. Donations that have yet to be received in cash are recorded as pledges receivable and revenue. Pledges receivable on June 30, 2022 and 2021, consist of the following:

Amounts due in:	2022	2021
Less than one year	\$6,641,676	\$2,050,609
One to five years	10,226,108	1,361,066
	16,867,784	3,411,675
Less: Present value discount	(251,084)	(21,934)
	<u>\$16,616,700</u>	<u>\$3,389,741</u>

Pledges Receivable are discounted at rates ranging from 2.73 to 0.19 percent as of June 30, 2022 and 2021, respectively.

Note 3. Grants Receivable

Various grants for programming and general operations, which were in effect, but had yet to be received in cash, are recorded as grants receivable and revenue. Grants receivable on June 30, 2022 and 2021 consist of amounts due for various purposes, as follows:

	2022	2021
General Operations	\$2,160,000	\$100,000
Content Journalism	1,375,000	130,000
Digital Expansion	1,250,000	-
Print Production	1,250,000	-
Strategic Reserve	1,250,000	-
	<u>\$7,285,000</u>	<u>\$230,000</u>

Note 4. Fair Value Measurements

The Organization follows ASC Topic 820, *Fair Value Measurements and Disclosure*, which provides the framework for measuring fair value under U.S. GAAP. This topic applies to all financial instruments that are being measured and reported on a fair value basis. As defined in the Topic, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses various methods including market, income, and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used on the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1. Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 assets primarily include zero-coupon bonds, equities, money market funds, U.S. Government securities and mutual funds. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Note 4. Fair Value Measurements – Continued

Level 2. Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities. Level 2 assets include corporate notes, government-sponsored enterprises and interest rate swaps.

Level 3. Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

For the fiscal year ended June 30, 2022, the application of valuation techniques applied to similar assets and liabilities has been consistent with techniques used in the previous year.

The interest swap is valued using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of the interest rate swap. This analysis reflects the contractual terms of the interest rate swap, including the period to maturity, and uses of observable market-based inputs, including interest rates. The fair value estimate is classified as Level 2.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the highest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

The table below presents the balances of assets and liabilities measured at fair value as of June 30, 2022 and 2021:

	June 30, 2022			
	Total	Level 1	Level 2	Level 3
Money Market	\$9,111,928	\$9,111,928	\$ -	\$ -
Small Cap Equity Funds	1,612,640	1,612,640	-	-
Mid Cap Equity Funds	2,952,288	2,952,288	-	-
Large Cap Equity Funds	18,637,187	18,637,187	-	-
International Equity Funds	6,042,713	6,042,713	-	-
Fixed Income Funds	14,845,161	14,845,161	-	-
	\$53,201,917	\$53,201,917	\$ -	\$ -
Interest Rate Swap Agreements	\$1,817,177		\$1,817,177	
	June 30, 2021			
	Total	Level 1	Level 2	Level 3
Money Market	\$109,092	\$109,092	\$ -	\$ -
Small Cap Equity Funds	1,955,312	1,955,312	-	-
Mid Cap Equity Funds	3,597,152	3,597,152	-	-
Large Cap Equity Funds	19,173,220	19,173,220	-	-
International Equity Funds	9,668,103	9,668,103	-	-
Fixed Income Funds	22,324,154	22,324,154	-	-
	\$56,827,033	\$56,827,033	\$ -	\$ -
Interest Rate Swap Agreements	(\$802,481)		(\$802,481)	

Not included in the preceding tables is an equity investment of approximately \$890,000 in fiscal year 2021.

Note 4. Fair Value Measurements – Continued

In July 2021, the Organization entered into an agreement to sell its equity investment in a podcast platform. An adjustment has been recorded in fiscal year 2021 to reflect the fair market value of the Organization's equity investment based on the estimated proceeds from the sale. This adjustment did not have a material effect on the financial condition of the Organization and is included in Investment income on the statement of activities for the fiscal year 2021.

Note 5. Property and Equipment

The Organization's property, equipment, and furnishings on June 30, 2022 and 2021 consist of:

	2022	2021
Land	\$1,155,658	\$1,155,658
Leasehold Improvements	24,965,854	23,057,387
Broadcast Equipment	5,867,601	5,801,396
Office Equipment	2,094,879	1,611,158
Furnishings	1,378,242	1,288,432
Website	1,801,126	1,681,793
Construction in Progress	-	36,537
	37,263,360	34,632,361
Accumulated Depreciation	(19,862,487)	(16,001,435)
	<u>\$17,400,873</u>	<u>\$18,630,926</u>

Land located in Porter County, Indiana, is the site for a radio tower. In addition, there are three parcels of land in Porter County, Indiana for sale by the Organization. The parcels for sale were valued at \$639,992 on June 30, 2022 and 2021. Depreciation expense amounted to \$1,804,688 and \$1,686,971 for the years ended June 30, 2022 and 2021, respectively.

Note 6. Line of Credit

In March 2021, the Organization amended its line of credit agreement with BMO Harris Bank, N.A., to extend its maturity date by one year, from July 15, 2021 to July 15, 2022. The interest rate is at the London Inter-Bank Offer Rate (LIBOR) plus 1.35 percent, and the maximum borrowing amount is \$3 million. The Organization did not have any borrowings on the line of credit during the 2022 and 2021 fiscal years. On July 22, 2022, the Organization extended the line of credit's expiration date to July 15, 2023 and transitioned from LIBOR to the Secured Overnight Financing Rate (SOFR) plus 1.55 percent.

Note 7. Promissory Note Payable

The Organization entered into a \$2,111,108 loan agreement in June 2011 with BMO Harris Bank, N.A., which was most recently amended on July 22, 2022, with \$277,750 and \$444,418 outstanding on June 30, 2022 and 2021, respectively. The Organization has the option of selecting the interest rate at reserve adjusted LIBOR plus 1.35 percent or the prime rate plus 1 percent. The interest rate was 2.47 percent on June 30, 2022 (2021 - 1.44 percent), which is calculated at reserve adjusted LIBOR plus 1.35 percent for 2022 and 2021. On July 22, 2022, the Organization amended the variable interest rate from the discontinued LIBOR to SOFR plus 1.45 percent. Payments of principal and interest on the loan are due monthly, with a final balloon payment due on or before December 6, 2023. Minimum principal payments by fiscal year are as follows:

2023	\$166,668
2024	111,082
	<u>\$277,750</u>

Interest expense on the loan amounted to \$5,727 and \$7,871 for fiscal years 2022 and 2021, respectively.

Note 8. Renovation Term Loan

On December 6, 2018, the Organization entered a 5-year term loan, 15-year amortization agreement with BMO Harris Bank, N.A., to borrow up to \$7,000,000 to fund a facility renovation project. Any extension of credit exceeding \$5,000,000 was to be used for project contingencies and was subject to additional bank conditions. The interest rate on the term loan is equal to the LIBOR Index Rate plus 1.35 percent. The interest rate was 2.47 percent on June 30, 2022 (2021 – 1.44 percent). On July 22, 2022, the Organization amended the variable interest rate from the discontinued LIBOR Index Rate to SOFR plus 1.45 percent. The Organization drew \$5,000,000 against the term loan agreement in 2020, with interest payments beginning on November 1, 2019, monthly principal payments beginning on March 1, 2020, and a final balloon payment due on or before December 6, 2023. The outstanding principal amount of the renovation term loan was \$4,222,223 on June 30, 2022. Minimum principal payments by fiscal year are as follows:

2023	\$333,333
2024	3,888,890
	\$4,222,223

Interest expense on the loan amounted to \$72,076 and \$70,768 for fiscal year 2022 and 2021, respectively.

On July 22, 2022, the Organization entered a \$5 million draw-down, 5-year term loan with BMO Harris Bank, N.A. to fund the renovation of the broadcast studio core at Navy Pier. The interest rate on the term loan is equal to SOFR plus 1.55 percent. The Organization will pay interest only for the first 15 months during the renovation period followed by level principal payments plus interest due monthly. Amortization will be calculated based on a 180-month basis with a balloon payment due and payable at maturity. Monthly payments commence on January 2, 2024 with a maturity date of December 6, 2028.

Note 9. Paycheck Protection Program Term Loan

During the fiscal year ended June 30, 2020, the Organization received a Paycheck Protection Program (“PPP”) loan in the amount of \$2,847,000. The PPP Loan program was created under the Coronavirus, Aid, Relief, and Economic Security (“CARES”) Act and is administered by the Small Business Administration (“SBA”). Under the terms of this program, the loan may be fully or partially forgiven if the loan proceeds are spent on qualifying expenses and staffing level and salary maintenance requirements are met.

Prior to June 30, 2021, the Company applied for and received notification of forgiveness of the principal and accrued interest of the PPP loan from the SBA. Loan forgiveness in the amount of \$2,878,902 has been recorded as a Gain on forgiveness of Paycheck Protection Program term loan in non-operating activities section on the statement of activities.

Note 10. Revenue Bonds

Pursuant to an agreement with the Illinois Finance Authority, in October 2005, the Organization received the proceeds from the issuance of \$22,000,000 of variable rate demand revenue bonds, Series 2005, whose proceeds were to finance the expansion, construction, renovation and equipping of their public radio facilities and to repay the outstanding principal amount of \$7,600,000 of a 1994 bond issuance.

The Series 2005 bonds have a stated maturity in 2040; however, the bonds are subject to redemption or mandatory tender prior to maturity under terms stated in the Indenture. The bonds bear interest at a rate determined weekly by the remarketing agent (Piper Sandler, Inc. or the Bank) with interest due monthly. This rate averaged approximately 0.96 percent for the year ended June 30, 2022 (2021 – 0.83 percent). The revenue bonds are shown on the statements of financial position net of issuance costs of \$158,516 and \$167,201 for the years ended June 30, 2022 and 2021, respectively (amortization expense was \$8,685 for June 30, 2022 and 2021, respectively).

Subject to certain conditions specified in the Indenture, the interest rate on the Series 2005 bonds may be converted to a fixed rate.

The Series 2005 bonds are secured by a transferable, irrevocable, direct-pay letter of credit issued by the

Note 10. Revenue Bonds - Continued

Bank. On July 22, 2022, the Organization extended its maturity date from July 15, 2023 to July 15, 2025. The Organization also has a reimbursement agreement with the Bank. The Organization is required to comply with certain financial covenants, which are monitored on both a semiannual and annual basis.

If drawn on, the Organization would be required to repay the principal and interest amounts on the earliest of the following:

- i. The date on which any Bonds purchased with funds disbursed under the Letter of Credit in connection with such Liquidity Drawing are redeemed or cancelled pursuant to the Indenture;
- ii. The date on which any Bonds purchased with funds disbursed under the Letter of Credit are successfully remarketed pursuant to the Indenture;
- iii. The date on which the Letter of Credit is replaced by a substitute letter of credit pursuant to the terms of the Indenture and the Loan Agreement;
- iv. The Termination Date; and
- v. *Relating to interest only* – The regularly scheduled interest payment date for the Bonds next succeeding the date on which such Liquidity Advance was made.

Note 11. Interest Rate Swap Agreements

To hedge a portion of its exposure to interest rates on its bonds, the Organization has three interest rate swap agreements with the Bank. The notional amount of the 2011 swap agreement is for \$11,000,000. On June 26, 2017, the Organization entered into a forward swap instrument with an interest rate of 1.56 percent, which is effective June 28, 2018 through July 1, 2022.

The Organization entered into a second swap agreement on October 1, 2012, with a notional amount for \$11,000,000. The Organization entered into a forward swap instrument on June 26, 2017, which is effective October 2, 2017 through July 1, 2022, with an interest rate of 1.46 percent.

The Organization obtained a third swap agreement on February 25, 2021, with a notional amount for \$22,000,000. The Organization entered into a forward swap instrument on February 25, 2021, which is effective July 1, 2022 through February 1, 2031, with an interest rate of 1.40 percent.

Interest expense on the bond agreements, as disclosed in Note 10, (including letter of credit and remarketing fees) amounted to \$491,125 and \$491,768 in fiscal years 2022 and 2021, respectively.

The fair value of the swaps changed due to unrealized gains of \$2,619,658 during fiscal year 2022 and losses of \$182,507 during fiscal year 2021.

Note 12. Lease Obligations

The Organization is obligated under non-cancelable operating leases for certain spaces and transmission facilities through 202 .

Total rent expense under these leases (excluding the Navy Pier rental, see below), was \$760,022 and \$505,212 for the years ended June 30, 2022 and 2021, respectively. Annual future minimum rent payments by fiscal year are as follows:

	2023	\$929,435
	2024	548,069
	2025	471,302
	2026	249,172
	2027	4,546
		\$2,202,524
Less: Present value discount		(93,345)
		\$2,109,179

Note 12. Lease Obligations - Continued

The Organization's right-of-use assets relate entirely to the leases described above and are classified as operating leases. The right-of-use asset and related lease liability have been calculated using the incremental borrowing rate, ranging from 3.21 percent to 4.62 percent depending on the lease.

The Organization occupies its primary operating space under a long-term lease with Navy Pier, Inc., pursuant to which the Organization rents three-dimensional air space above Festival Hall on Navy Pier in Chicago, as well as certain supplemental space. The lease expiration date is in 2095.

In lieu of cash rent under the lease, the Organization is obligated to provide certain specified broadcast acknowledgments and promotional services (Base Rent) each day which will identify that the Organization is broadcasting from Navy Pier and promotes events and activities occurring at Navy Pier. In the event the Organization is unable or fails to render these forms of Base Rent, the Base Rent required to be paid under the lease will be the fair market rental value of the premises, which shall be determined in accordance with procedures set forth in the lease. The Organization is not responsible under the lease for any share of the costs of repairing or maintaining the common areas of Navy Pier. Management has determined the fair value of this lease to be and has recorded rental expense of equal amounts at \$1,480,710 for the years ended June 30, 2022 and 2021, respectively.

Note 13. Restricted Net Assets

Net assets with donor restrictions were available for the following uses:

	2022	2021
Time Restrictions	\$22,146,420	\$4,510,298
Purpose Restrictions		
Digital Archiving	265,731	473,041
Digital Expansion	1,875,000	-
Community Service Grant	-	740,423
Time and Purpose Restrictions		
Content Journalism	2,060,385	460,000
Internship Program	165,000	-
Print Production	1,875,000	-
Strategic Reserve	1,875,000	-
Endowment held for perpetuity	1,000,000	1,000,000
	<u>\$31,262,535</u>	<u>\$7,183,762</u>

Net assets released from donor restrictions were as follows:

	2022	2021
Time Restrictions	\$8,175,775	\$3,102,568
Content Journalism	1,743,115	1,274,686
Digital Archiving	50,976	43,571
Digital Expansion	625,000	50,000
Internship Program	-	34,333
Print Production	625,000	-
Community Service Grant	368,183	428,775
Strategic Reserve	625,000	-
	<u>\$12,213,049</u>	<u>\$4,933,933</u>

Note 14. Donor-Restricted and Board-Restricted Endowments

The Organization’s endowment includes donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law: The Organization is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and thus, classifies amounts in its donor-restricted endowment fund as net assets with donor restrictions because those net assets are time-restricted until the Board of Directors appropriates such amounts for expenses. 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 Directors of the Organization has interpreted the SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund unless the donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment fund, the Organization considers the fund to be underwater if the fair value of the fund is less than the sum (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. The Organization has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the Organization and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Organization; and
- The Investment Policies of the Organization.

**Endowment Net Asset Composition
As of June 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
<u>Donor-restricted endowment funds:</u>			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$1,000,000	\$1,000,000
Accumulated Withdrawals/Releases	-	(135,563)	(135,563)
Accumulated Investment Gains/Losses & Income	-	390,963	390,963
Total Funds	\$ -	\$1,255,400	\$1,255,400

**Changes in Endowment Net Assets for the Fiscal Year Ending
As of June 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
<u>Endowment Net Assets - Beginning of Year</u>	\$ -	\$1,467,019	\$1,467,019
Unrealized Investment Loss	-	(261,778)	(261,778)
Realized Investment Gain	-	105,445	105,445
Investment Fees	-	(4,310)	(4,310)
Withdrawals/Releases	-	(50,976)	(50,976)
<u>Endowment Net Assets - End of Year</u>	\$ -	\$1,255,400	\$1,255,400

Note 14. Donor-Restricted and Board-Restricted Endowments - Continued

	Endowment Net Asset Composition		
	As of June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
<u>Donor-restricted endowment funds:</u>			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$1,000,000	\$1,000,000
Accumulated Withdrawals/Releases	-	(84,587)	(84,587)
Accumulated Investment Gains/Losses & Income	-	551,606	551,606
Total Funds	\$ -	\$1,467,019	\$1,467,019

	Changes in Endowment Net Assets for the Fiscal Year Ending		
	As of June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
<u>Endowment Net Assets - Beginning of Year</u>	\$ -	\$1,077,254	\$1,077,254
Unrealized Investment Gain	-	377,291	377,291
Realized Investment Gain	-	59,659	59,659
Investment Fees	-	(3,614)	(3,614)
Withdrawals/Releases	-	(43,571)	(43,571)
<u>Endowment Net Assets - End of Year</u>	\$ -	\$1,467,019	\$1,467,019

Return Objectives and Risk Parameters: The Organization 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 the Organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to achieve a return of 5.00 percent net of inflation and investment expenses. The secondary investment objective is to earn a total return, net of expenses, at least equal to the portfolio's composite benchmark as defined in its investment policy statement. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy: The Organization has a policy of appropriating for distribution each year no greater than 5.00 percent of its endowment fund's fair value determined on a rolling twelve quarter average with the fair value determined as of the last business day of each quarter. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to preserve the principal in perpetuity. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term.

Funds with Deficiencies: From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Organization to retain as a fund of perpetual duration. As of June 30, 2022, and 2021, there were no such deficiencies.

Note 15. Corporation for Public Broadcasting Grants

Each year, the Organization receives a Community Service Grant from the Corporation for Public Broadcasting (CPB). This amount represents the Organization's share of an annual appropriation made by Congress for public broadcasting. In 2021, as part of the American Rescue Plan Act, Congress appropriated an additional \$175 million of emergency stabilization funds for public media. Of these funds, the CPB distributed \$740,423 to the Organization, which was released into operations in fiscal year 2022. The CPB Community Service Grant (CSG) was received by the Organization and recorded as revenue on the consolidated statement of activities for the years ended June 30, 2022 and 2021 was as follows:

	2022	2021
Corporation for Public Broadcasting - Community Service Grant	\$1,383,616	\$1,589,822
Corporation for Public Broadcasting - Emergency Stabilization Funding	-	740,423
	<u>\$1,383,616</u>	<u>\$2,330,245</u>

The CPB allocates a portion of its funds annually to public broadcasting entities, primarily based on non-federal financial support (NFFS). NFFS is defined as the total value of cash and the fair market value of property and services received as either a contribution or a payment and meeting all respective criteria for each. Each fiscal year, NFFS is calculated and reported to the CPB based on the prior fiscal year's activity and is used to determine the Organization's program eligibility and CSG amount for the following fiscal year.

A contribution is cash, property, or services given to a public broadcasting entity for general operating purposes. Support received as a contribution by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source may be any entity except the federal government or any other public broadcasting entity; (2) the contribution may take the form of a gift, grant, bequest, donation, or appropriation; (3) the purpose must be for the construction or operation of a non-commercial, educational public broadcasting station or for the production, acquisition, distribution, or dissemination of educational television or radio programming and related activities; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcasting station. However, all capital contributions received for purposes of acquiring new equipment or upgrading existing or building new facilities, regardless of the source or the form of the contribution, are not included in calculating NFFS. This exclusion includes all revenue received for any capital purchases.

A payment is cash, property, or services received by a public broadcasting entity from specific sources in exchange for specific services or materials. Support received as a payment by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source must be a state, any agency or political subdivision of a state, an educational institution or organization, or a nonprofit entity; (2) the form of the payment must be appropriations or contract payments in exchange for specific services or materials; (3) the purpose must be for any related activity of the public broadcasting station; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcasting station. Calculated in accordance with the CPB guidelines, the Organization reported the 2021 fiscal year's total NFFS at \$29,701,095 in accordance with the CPB's 2022 reporting requirements and reported the 2020 fiscal year's total NFFS at \$27,633,588 in accordance with the CPB's 2021 reporting requirements. The reported NFFS amounts for the 2021 and 2020 fiscal years are used to determine the Organization's CSG amounts for the 2023 and 2022 fiscal years, respectively.

Note 16. Contributed Nonfinancial Assets

The Organization recorded the following contributed nonfinancial assets on the consolidated statement of activities for the years ended June 30, 2022 and 2021 as follows:

	2022	2021
Rent	\$1,334,825	\$1,412,768
Professional Services	25,667	33,693
	<u>\$1,360,492</u>	<u>\$1,446,461</u>

The Organization recognized contributed nonfinancial assets within revenue, including rent and professional services. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. Contributed services are comprised of legal, consulting, and other professional services that are valued and reported at their estimated fair value in the financial statements based on current rates for similar professional services. Contributed rent is valued and reported at its estimated fair value in the financial statements based on market rental rates for similar real estate properties in the Chicago area.

Note 17. Employee Benefit Plans

The Organization maintains two employee benefit plans: 1) the Chicago Public Media, Inc. Tax-Deferred Annuity Plan and 2) the Chicago Sun-Times Media, Inc. Tax-Deferred Plan.

The Chicago Public Media, Inc. Tax-Deferred Annuity Plan is for the benefit of eligible employees and is exempt from income taxes under the Internal Revenue Code Section 403(b). The Organization provides a discretionary one hundred percent match of employee contributions up to four percent of the employee's compensation. Employees can participate in the Chicago Public Media, Inc. Tax-Deferred Annuity Plan immediately, but they must have one year of service and be at least 21 years of age before they are eligible to receive matching contributions. The participants are also immediately vested in both their contributions and the matching contributions.

Matching contributions for the Chicago Public Media, Inc. Tax-Deferred Annuity Plan totaled \$354,275 and \$179,185 for the years ended June 30, 2022 and 2021, respectively.

The Chicago Sun-Times Media, Inc. Tax-Deferred Plan is also for the benefit of eligible employees and is exempt from incomes taxes under the Internal Revenue Codes Section 401(k). Full-time employees are eligible to participate in the Chicago Sun-Times Media, Inc. Tax Deferred Plan on date of hire, and part-time employees are eligible to participate after completing 1,000 service hours during an eligibility computation period. The Organization can elect to make discretionary matching contributions equal to a uniform percentage or dollar amount of elective deferrals each plan year. Each year, the Organization determines the formula for the discretionary matching contribution. There were no employer-paid contributions by the Organization for the year ended June 30, 2022.

Note 18. Collective Bargaining Agreements

Certain members of the Organization's workforce are covered by one of three collective bargaining agreements (CBA).

Approximately 50 percent of Chicago Public Media's workforce is covered by a CBA with either the Screen Actors Guild - American Federation of Television & Radio Artists (Content Creation Professionals Unit) or the Screen Actors Guild - American Federation of Television & Radio Artists (Digital and Technical Operations Unit). The CBA covering Chicago Public Media's employees who were organized under the Content Creation Professional Unit expired on May 4, 2022. A new agreement was ratified on May 13, 2022 and expires on May 13, 2025. The CBA covering Chicago Public Media's employees who were organized under the Digital and Technical Operations Unit expired on June 30, 2022. A new agreement was ratified on July 1, 2022 and expires on June 30, 2025.

Note 18. Collective Bargaining Agreements - Continued

Approximately 52 percent of CSTM's workforce is covered by a CBA with the Chicago Newspaper Guild, Local 34071. CSTM's CBA with the Local 34071 was executed and ratified on February 27, 2020 and expires on August 31, 2022. Management is in the process of negotiating the CBA.

Note 19. Liquidity/Availability Note

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual, donor, or Board-imposed restrictions within one year of the statement of financial position date.

	2022	2021
Financial assets		
Cash and Cash Equivalents	16,824,417	\$9,189,771
Investments	47,351,917	54,617,519
Other receivables, net	2,427,365	1,257,750
Pledges receivable, net	16,616,700	3,389,741
Grants receivable, net	7,285,000	230,000
Board-designated funds	5,850,000	3,100,000
Total financial assets at year-end	<u>\$96,355,399</u>	<u>\$71,784,781</u>
Less those financial assets unavailable for general expenditures within one year, due to:	2022	2021
Contractual or donor-imposed restrictions:		
Restricted by donors with time or purpose restrictions - pledges and grants collectible in one to five years	(15,171,408)	(2,199,132)
Investments liquid in one to five years	(12,215,537)	(14,218,404)
Donor-restricted endowment funds	(1,255,400)	(1,467,019)
Board-designated funds	(4,100,000)	(2,600,000)
Total unavailable financial assets at year-end	<u>(\$32,742,345)</u>	<u>(\$20,484,555)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$63,613,055</u>	<u>\$51,300,226</u>

The Organization is partially supported by restricted contributions. Because donors' restrictions require that resources be used for a particular purpose or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to donors. Therefore, certain financial assets may not be available for general expenditure within one year. As part of its liquidity management, the Organization has structured its financial assets to be available as its general expenses, liabilities, and other obligations come due. In the event of an unanticipated liquidity need, the Organization can draw upon its \$3,000,000 line of credit, as described in Note 6.

Note 20. Related Party Note

Members of the Organization's Board of Directors are employed by sponsors that contributed a total of \$2,567,500 and \$57,767 for the years ended June 30, 2022 and 2021, respectively. In addition, individual members of the Board contributed approximately \$1,121,323 and \$1,034,027 for the years ended June 30, 2022 and 2021, respectively.

Supplementary Information



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Independent Auditor's Report on Supplemental Information

To the Board of Directors
Chicago Public Media, Inc.

We have audited the consolidated financial statements of Chicago Public Media, Inc. as of and for the years ended June 30, 2022 and 2021 and have issued our report thereon dated October 17, 2022, which contained an unmodified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating statements of activities and statements of functional expenses are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Plante & Moran, PLLC

October 17, 2022

Chicago Public Media, Inc.

Consolidating Statements of Activities
Year Ended June 30, 2022

	WBEZ		CSTM		Chicago Public Media, Inc.
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	
Operating revenues					Consolidated
Membership contributions	\$13,133,093	-	\$1,050	-	\$13,134,143
Circulation	-	-	9,166,994	-	9,166,994
Corporation for Public Broadcasting - Community Service Grant	1,015,436	368,180	1,383,616	-	1,383,616
Contributions and other grants	2,338,427	4,807,333	7,145,760	32,013,062	39,252,411
Program underwriting and advertising	5,320,093	-	5,320,093	3,544,893	8,864,986
Contributions of Nonfinancial Assets	1,360,493	-	1,360,493	-	1,360,493
Special events (net of expenses of \$119,964)	864,584	-	864,584	-	864,584
Production, rental, and other revenue	2,372,244	-	2,372,244	366,803	2,739,047
Total operating revenue	26,404,370	5,175,513	31,579,883	32,013,062	76,766,274
Net assets released from restrictions	5,190,320	(5,190,320)	-	-	-
Net assets released from restrictions - Corporation for Public Broadcasting - Emergency Stabilization	740,423	(740,423)	7,022,729	(7,022,729)	-
Total operating revenues, including restricted and released revenues	32,335,113	(755,230)	20,196,058	24,990,333	76,766,274
Operating expenses					
Program services					
Content creation	13,869,629	-	5,282,707	-	19,152,336
Content distribution	2,659,707	-	6,351,897	-	9,011,604
Community and audience engagement	2,521,799	-	645,486	-	3,167,285
Total program services	19,051,135	-	12,280,090	-	31,331,225
Supporting services					
Management and General	3,781,504	-	1,787,864	-	5,569,368
Fundraising	7,139,721	-	1,480,524	-	8,620,245
Total supporting services	10,921,225	-	3,268,388	-	14,189,613
Total operating expenses	29,972,360	-	15,548,478	-	45,520,838
Increase (decrease) in net assets from operations	2,362,753	(755,230)	4,647,580	24,990,333	31,245,436
Nonoperating activities					
Change in investments	(7,453,983)	(156,331)	(7,610,314)	-	(7,610,314)
Change in value of interest rate swap agreements	2,619,658	-	2,619,658	-	2,619,658
(Loss) gain on disposal of assets	(550)	-	(550)	-	124,674
Gain on forgiveness of Paycheck Protection Program term loan	-	-	125,224	-	125,224
Acquisition expenses	(1,509,969)	-	(1,509,969)	-	(1,509,969)
Excess of liabilities over assumed assets from acquisition	-	-	(3,790,138)	-	(3,790,138)
Total nonoperating activities	(6,344,844)	(156,331)	(3,664,914)	-	(10,166,089)
Decrease (increase) in net assets	(3,982,091)	(911,561)	982,666	24,990,333	21,079,347
Net assets					
Beginning of year	54,932,420	7,183,763	62,116,183	-	62,116,183
End of year	\$50,950,329	\$6,272,202	\$57,222,531	\$982,666	\$25,972,999
					\$83,195,530

Statements of Functional Expenses - WBEZ

Year Ended June 30, 2022

	Program Services				Supporting Services			2022
	Content Creation	Content Distribution	Community and Audience Engagement	Total	Management and General	Fundraising	Total	
Salaries and Benefits	8,654,144	1,161,773	1,512,668	11,328,585	2,202,782	3,115,663	5,318,445	16,647,030
Programming and Production Costs	2,072,656	299,453	-	2,372,109	-	-	-	2,372,109
Membership Services	-	-	153,629	153,629	-	864,686	864,686	1,018,315
Marketing and Public Relations	8,253	-	279,489	287,742	-	50,563	50,563	338,305
Consulting, Freelance, and Professional Fees	534,646	25,060	86,066	645,772	753,046	1,834,591	2,587,637	3,233,409
Travel and Training	64,658	5,616	3,242	73,516	39,546	12,661	52,207	125,723
In Kind Occupancy, Services, and Trade	1,029,814	129,644	75,042	1,234,500	169,033	226,733	395,766	1,630,266
Technology and Supplies	130,029	344,343	281,825	756,197	166,647	238,636	405,283	1,161,480
Dues and Subscriptions	22,712	660	317	23,689	13,580	19,649	33,229	56,918
Occupancy	221,950	172,470	17,377	411,797	43,852	52,503	96,355	508,152
Insurance	99,386	16,714	9,674	125,774	16,142	29,231	45,373	171,147
Miscellaneous	2,159	931	14	3,104	107,985	26,617	134,602	137,706
Financing and Other Bank and Transaction Costs	290,991	63,400	36,698	391,089	97,386	469,507	566,893	957,982
Depreciation and Amortization	738,231	439,643	65,758	1,243,632	171,505	198,681	370,186	1,613,818
	\$13,869,629	\$2,659,707	\$2,521,799	\$19,051,135	\$3,781,504	\$7,139,721	\$10,921,225	\$29,972,360

Chicago Public Media, Inc.

Statements of Functional Expenses - CSTM
 Period from January 31, 2022 through June 30, 2022

	Program Services				Supporting Services		
	Content Creation	Content Distribution	Community and Audience Engagement	Total	Management and General	Fundraising	Total
Salaries and Benefits	3,833,403	525,473	258,776	4,617,652	1,128,569	743,653	1,872,222
Programming and Production Costs	340,244	3,430,566	-	3,770,810	-	-	-
Membership Services	-	-	90,682	90,682	-	95,835	95,835
Marketing and Public Relations	13,191	31,485	41,569	86,245	-	50,873	50,873
Consulting, Freelance, and Professional Fees	287,688	2,122,034	91,946	2,501,668	276,327	163,188	439,515
Travel and Training	106,742	1,822	6,822	115,386	10,171	17,673	27,844
In Kind Occupancy, Services, and Trade	-	-	-	-	-	13,364	13,364
Technology and Supplies	190,571	173,524	122,876	486,971	68,540	141,477	210,017
Dues and Subscriptions	59,422	199	-	59,621	542	3,923	4,465
Occupancy	233,849	32,342	16,896	283,087	50,057	41,340	91,397
Insurance	89,955	12,650	6,608	109,213	19,395	16,169	35,564
Miscellaneous	3,652	4,366	202	8,220	165,664	1,579	167,243
Financing and Other Bank and Transaction Costs	-	-	-	-	41,866	169,163	211,029
Depreciation and Amortization	123,990	17,436	9,109	150,535	26,733	22,287	49,020
	\$5,282,707	\$6,351,897	\$645,486	\$12,280,090	\$1,787,864	\$1,480,524	\$3,268,388
							6,489,874
							3,770,810
							186,517
							137,118
							2,941,183
							143,230
							13,364
							696,988
							64,086
							374,484
							144,777
							175,463
							211,029
							199,555