

Detroit Educational Television Foundation

**Financial Report
with Additional Information
June 30, 2014**

Detroit Educational Television Foundation

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Independent Auditor's Report

To the Members of the Finance
and Audit Committee
Detroit Educational Television Foundation

We have audited the accompanying financial statements of Detroit Educational Television Foundation (the "Foundation"), which comprise the balance sheet as of June 30, 2014 and 2013 and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.

To the Members of the Finance
and Audit Committee
Detroit Educational Television Foundation

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Detroit Educational Television Foundation as of June 30, 2014 and 2013 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

September 19, 2014

Detroit Educational Television Foundation

Balance Sheet

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,738,309	\$ 4,150,934
Receivables:		
Trade - Net	607,782	1,249,132
Pledges receivable - Net (Note 2)	2,355,709	1,438,462
Investments	2,439,422	1,763,053
Inventory	168,226	213,885
Restricted cash - Bond payments (Note 5)	894,941	545,894
Prepaid assets and other	313,674	298,429
	<hr/>	<hr/>
Total current assets	10,518,063	9,659,789
Pledges Receivable - Long term (Note 2)	909,964	1,176,012
Property and Equipment - Net (Note 3)	14,983,120	16,034,633
Other Assets	126,681	141,076
	<hr/>	<hr/>
Total assets	\$ 26,537,828	\$ 27,011,510
	<hr/>	<hr/>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 778,221	\$ 612,721
Current portion of long-term debt (Note 5)	885,000	535,000
Accrued liabilities and other (Note 9)	1,459,920	1,636,564
	<hr/>	<hr/>
Total current liabilities	3,123,141	2,784,285
Long-term Debt - Net of current portion (Note 5)	3,745,000	4,630,000
	<hr/>	<hr/>
Total liabilities	6,868,141	7,414,285
Net Assets		
Unrestricted	18,020,141	18,182,904
Temporarily restricted - Production funding	1,569,526	1,334,301
Permanently restricted - Endowment	80,020	80,020
	<hr/>	<hr/>
Total net assets	19,669,687	19,597,225
	<hr/>	<hr/>
Total liabilities and net assets	\$ 26,537,828	\$ 27,011,510
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Detroit Educational Television Foundation

Statement of Activities and Changes in Net Assets

	Year Ended	
	June 30, 2014	June 30, 2013
Changes in Unrestricted Net Assets		
Revenue and support:		
Individual contributions	\$ 9,560,470	\$ 9,790,496
Retail product sales	1,546,878	2,082,448
Productions of local and national programs	2,964,349	3,536,707
Corporate contributions	993,974	1,104,462
Corporation for Public Broadcasting grants	1,981,339	2,230,203
Foundation contributions	650,838	561,807
Special events	377,618	511,402
Facilities rental	526,270	743,090
Net realized and unrealized gains on investments	250,047	120,417
Miscellaneous income	183,088	52,688
Total revenue and support	19,034,871	20,733,720
Net assets released from restrictions	1,065,518	394,210
Total revenue, support, and net assets released from restrictions	20,100,389	21,127,930
Expenses:		
Program services:		
Communications	1,211,357	927,583
Production	6,306,829	6,912,092
Engineering	891,704	1,522,190
Broadcast	4,316,431	4,646,602
Total program services	12,726,321	14,008,467
Support services:		
Administration and general	2,032,252	1,943,730
Fundraising	5,504,579	4,661,427
Total expenses	20,263,152	20,613,624
(Decrease) Increase in Unrestricted Net Assets	(162,763)	514,306
Changes in Temporarily Restricted Net Assets		
Contributions	1,300,743	1,202,093
Net assets released from restrictions	(1,065,518)	(394,210)
Increase in Temporarily Restricted Net Assets	235,225	807,883
Increase in Net Assets	72,462	1,322,189
Net Assets - Beginning of year	19,597,225	18,275,036
Net Assets - End of year	\$ 19,669,687	\$ 19,597,225

Detroit Educational Television Foundation

Statement of Cash Flows

	Year Ended	
	June 30, 2014	June 30, 2013
Cash Flows from Operating Activities		
Increase in net assets	\$ 72,462	\$ 1,322,189
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation and amortization	1,338,717	1,357,284
Loss on sale of property and equipment	-	5,122
Net realized and unrealized gains on investments	(250,047)	(120,417)
Change in value of interest rate swap	-	79,462
Change in pledge discount	5,559	(46,397)
Changes in operating assets and liabilities that provided (used) cash:		
Accounts receivable	641,350	60,647
Inventory	45,659	36,453
Pledges receivable	(656,758)	(514,177)
Prepaid assets and other	(15,245)	(13,094)
Accounts payable	165,500	(51,586)
Accrued liabilities and other	(176,644)	(423,658)
Net cash provided by operating activities	1,170,553	1,691,828
Cash Flows from Investing Activities		
Purchase of property and equipment	(272,809)	(241,343)
Purchases of investments	(950,855)	(363,972)
Proceeds from sales and maturities of investments	524,533	221,764
Net cash used in investing activities	(699,131)	(383,551)
Cash Flows from Financing Activities - Payments on debt	(535,000)	(1,012,297)
Net (Decrease) Increase in Cash and Cash Equivalents	(63,578)	295,980
Cash and Cash Equivalents - Beginning of year	4,696,828	4,400,848
Cash and Cash Equivalents - End of year	<u>\$ 4,633,250</u>	<u>\$ 4,696,828</u>
Supplemental Disclosure of Cash Flow Information - Cash paid for interest	<u>\$ 12,495</u>	<u>\$ 99,800</u>
Cash and Cash Equivalents are Comprised of the Following		
Unrestricted	\$ 3,738,309	\$ 4,150,934
Restricted	894,941	545,894
Total	<u>\$ 4,633,250</u>	<u>\$ 4,696,828</u>

Detroit Educational Television Foundation

Notes to Financial Statements June 30, 2014 and 2013

Note I - Nature of Business and Significant Accounting Policies

Nature of Organization - Detroit Educational Television Foundation (the "Foundation") is a not-for-profit corporation, which is exempt from federal income tax under Section 501(c)(3) of the United States Internal Revenue Code, classified as an organization that is not a private foundation, and incorporated under the name Detroit Educational Television Foundation. The Foundation receives the majority of its funding from corporate and individual contributions and retail sales of productions of artists featured during programming.

The Foundation distinguishes among contributions received for each net asset category in accordance with donor-imposed restrictions. A description of the three categories is as follows:

Unrestricted Net Assets - Unrestricted net assets are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the board or may otherwise be limited by contractual agreements with outside parties.

Temporarily Restricted Net Assets - Temporarily restricted net assets are subject to donor-imposed stipulations that can be fulfilled by actions of the Foundation pursuant to those stipulations or that expire by passage of time.

Temporarily restricted net assets total approximately \$1,570,000 and \$1,334,000 at June 30, 2014 and 2013, respectively. Changes in temporarily restricted net assets include contributions of \$1,300,743 and \$1,202,093 restricted for production funding during the years ended June 30, 2014 and 2013, respectively.

Permanently Restricted Net Assets - Permanently restricted net assets are subject to donor-imposed stipulations that they may be maintained permanently by the Foundation.

Expenses are generally reported as decreases in unrestricted net assets. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes of net assets.

Contribution revenue with donor-imposed restrictions that are met in the same year as received or earned is reported as unrestricted revenue. Contribution revenue with donor-imposed restrictions that are not met in the same year is reported as temporarily restricted revenue and is reclassified to unrestricted net assets when an expense is incurred that satisfies the donor-imposed restriction.

Detroit Educational Television Foundation

Notes to Financial Statements June 30, 2014 and 2013

Note I - Nature of Business and Significant Accounting Policies (Continued)

The significant accounting policies are described below:

Cash Equivalents - The Foundation considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents, except for those money market funds that are considered part of the investment portfolio.

Investments - The majority of the Foundation's investments are in debt and equity mutual funds at June 30, 2014 and 2013. Investments are recorded at fair value based on quoted market prices or net asset value.

Trade Receivables - Trade receivables consist of accounts receivable and receivables from Entertainment One U.S. LP (EI) for sales of retail products that are companions to the Foundation's fundraising programs.

Accounts receivable are stated at billed amounts. An allowance for doubtful accounts is established based on specific assessment of all billings that remain unpaid following normal payment periods. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period the determination is made.

The Foundation entered into an agreement with EI for retail distribution throughout the United States and Canada of its music and video products that are companions to its television fundraising programs through June 2014 for Canada sales and January 2016 for United States sales. The receivable for retail sales by EI is for sales that have occurred before the end of the fiscal year for which the Foundation has not received the proceeds. The receivables are stated at net realizable value. An allowance for potential returned merchandise is established based on historical merchandise return experience.

	2014	2013
Accounts receivable	\$ 479,859	\$ 972,347
Allowance for doubtful accounts	<u>(8,184)</u>	<u>(4,785)</u>
Accounts receivable - Net	471,675	967,562
Retail distribution receivables	178,607	428,160
Allowance for returned merchandise	<u>(42,500)</u>	<u>(146,590)</u>
Retail distribution receivables - Net	<u>136,107</u>	<u>281,570</u>
Trade receivables - Net	<u>\$ 607,782</u>	<u>\$ 1,249,132</u>

Pledges Receivable - The Foundation receives pledges of financial support from corporations, foundations, and individuals. Revenue is recognized when a pledge is made. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

Detroit Educational Television Foundation

Notes to Financial Statements June 30, 2014 and 2013

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

An allowance for uncollectible contributions is provided based on management's judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution, current economic conditions, and nature of fundraising.

Inventory - Inventory, consisting mainly of promotional items and merchandise held for resale by a third party, is stated at the lower of cost, computed on a first-in, first-out (FIFO) basis, or net realizable value.

Restricted Cash - The Michigan Strategic Fund Variable Rate Demand Limited Obligation Revenue Bonds Series 2005 contain an escrow agreement. The restricted cash is the balance of the required monthly escrow payments as of June 30. The escrow agreement requires monthly payments equal to one-twelfth of the next annual principal payment. The escrow account is treated as additional collateral for the bonds. At June 30, 2014 and 2013, the balance of the escrow account exceeds the requirement. See Note 5 for further detail.

Property and Equipment - Property and equipment are stated at original cost if purchased or at estimated fair value if donated. When assets are retired or otherwise disposed of, the related cost and depreciation are removed from the respective accounts, and any profit or loss is included in revenue. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets.

Other Assets - Other assets consist of capitalized bond issue costs related to the Series 2005 debt. The costs are being amortized over the life of the bonds.

Revenue - All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Revenue relating to retail sales, facilities rental, and productions of local and national programs is recognized when earned.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including September 19, 2014, which is the date the financial statements were issued.

Detroit Educational Television Foundation

Notes to Financial Statements June 30, 2014 and 2013

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Federal Income Taxes - The Foundation is exempt from income tax under provisions of Internal Revenue Code Section 501(c)(3).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Foundation and has concluded that as of June 30, 2014 and 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2011.

Note 2 - Pledges Receivable

Pledges receivable represent amounts pledged from donors. Pledges receivable consist of the following as of June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Pledges receivable	\$ 3,525,043	\$ 3,285,221
Less unamortized discount	(50,940)	(56,499)
Less allowance for uncollectible pledges	<u>(208,430)</u>	<u>(614,248)</u>
Net pledges receivable	<u>\$ 3,265,673</u>	<u>\$ 2,614,474</u>
Amounts due in:		
Less than one year	\$ 2,564,139	\$ 2,052,710
One to five years	<u>960,904</u>	<u>1,232,511</u>
Gross payments on pledges receivable	<u>\$ 3,525,043</u>	<u>\$ 3,285,221</u>

The Foundation discounted the pledges with interest rates ranging from 3 percent to 4 percent.

Detroit Educational Television Foundation

Notes to Financial Statements June 30, 2014 and 2013

Note 3 - Property and Equipment

The cost of property and equipment and related accumulated depreciation at June 30, 2014 and 2013 are as follows:

	2014	2013	Depreciable Life - Years
Land	\$ 2,539,173	\$ 2,539,173	-
Land improvements	69,111	69,111	10-15
Buildings and building improvements	12,012,751	12,012,751	7-40
Broadcast and production equipment	9,181,277	8,944,491	2-10
Office equipment	1,161,505	1,125,482	3-5
Total cost	24,963,817	24,691,008	
Accumulated depreciation	9,980,697	8,656,375	
Net carrying amount	<u>\$ 14,983,120</u>	<u>\$ 16,034,633</u>	

Depreciation expense was \$1,342,323 for 2014 and \$1,342,888 for 2013.

Note 4 - Gift Annuity

In 2014 and 2013, the Foundation received cash as the result of certain gift annuities. Under the terms of the contracts, the Foundation received cash of \$75,000 and \$145,097 at the time of the donations during the years ended June 30, 2014 and 2013, respectively. The Foundation is required to pay the designated beneficiaries quarterly interest payments during their lifetimes. The present value of the estimated future payments to donors, using a discount rate of between 1.2 percent and 3 percent, has been included within the "accrued liabilities and other" line of the balance sheet. The liability amounted to \$139,356 and \$111,349 at June 30, 2014 and 2013, respectively. The Foundation recorded \$33,182 and \$59,371 of temporarily restricted contribution revenue for the years ended June 30, 2014 and 2013, respectively, the difference between the assets received and the liability recorded at the time of the donation.

Detroit Educational Television Foundation

Notes to Financial Statements June 30, 2014 and 2013

Note 5 - Long-term Debt

Bonds payable consist of the following:

Michigan Strategic Fund Variable Rate Demand Limited Obligation Revenue Bonds Series 2005, in the amount of \$10,370,000, have an original maturity date of June 1, 2035. The bonds bear interest at a variable rate determined weekly (.07 percent at June 30, 2014), not to exceed 18 percent or the maximum rate permitted by applicable law, at which time the bonds are remarketed. Annual principal payments range from \$280,000 to \$885,000 through 2026. Beginning in 2008, the bond agreement required the Foundation to make deposits into an escrow account as described in Note 1. At June 30, 2014 and 2013, the balance of the escrow account was \$894,941 and \$545,894, respectively. The Foundation is also required to maintain a letter of credit, which would fund any draws for bonds which are unable to be remarketed, equal to the balance of the bonds plus 45 days' interest at a maximum rate of 10 percent, not to exceed \$10,497,849. Upon a draw on the letter of credit, the loan shall be repaid on the expiration date of the letter of credit. Failure to maintain a letter of credit causes the bond to become due on demand. The letter of credit expires on July 16, 2019. The bonds are collateralized by the letter of credit, which is collateralized by substantially all of the assets of the Foundation. In addition, the Foundation is subject to meeting certain financial covenants.

On May 22, 2014 the Foundation amended and restated the redemption notice directing the trustee to redeem the bonds based on the minimum principal payment schedule below.

Minimum principal payments on the bonds payable to maturity as of June 30, 2014 are as follows:

Years Ending June 30	Amount
2015	\$ 885,000
2016	280,000
2017	285,000
2018	295,000
2019	305,000
2020 and thereafter	<u>2,580,000</u>
Total	<u>\$ 4,630,000</u>

The fair value of variable rate bonds payable approximates the carrying amount because the current effective rates reflect market rates. The fair value of the letter of credit is not determinable due to the uncertainty of the timing of payment, if any.

Detroit Educational Television Foundation

Notes to Financial Statements June 30, 2014 and 2013

Note 5 - Long-term Debt (Continued)

Interest expense for the years ended June 30, 2014 and 2013 was \$5,474 and \$96,490, respectively.

Note 6 - Line of Credit

The Foundation has available an unsecured line of credit, payable upon demand, which allows the Foundation to borrow up to \$1,100,000, with interest at 1.75 percent per annum above the daily adjusting LIBOR, an effective rate of 1.85 percent and 1.88 percent at June 30, 2014 and 2013, respectively. The line of credit expires on May 12, 2015. There was no outstanding balance against the line of credit at June 30, 2014 and 2013.

Note 7 - Operating Leases

The Foundation leases space for a transmitting antenna and associated equipment to transmit its broadcasting signal in digital format. This is a noncancelable operating lease agreement through June 30, 2019 at variable future minimum monthly lease payments. Beginning in 2003, payments increased based upon the U.S. Department of Commerce's National Consumer Price Index for all urban consumer U.S. city averages. The Foundation also leases other miscellaneous equipment. Monthly payments range from \$280 to \$9,968 with various expiration dates through 2019. Future minimum payments under these leases with initial or remaining terms of one year or more are as follows:

Years Ending June 30	Amount
2015	\$ 168,963
2016	162,221
2017	142,463
2018	120,442
2019	59,809
Total	<u>\$ 653,898</u>

Rent expense was approximately \$169,000 and \$170,000 for the years ended June 30, 2014 and 2013, respectively.

Note 8 - Pension Costs

The Foundation has a defined contribution retirement plan covering substantially all full-time employees and part-time employees who meet the qualification criteria. Prior to January 1, 2014, the Foundation contributed 1 percent of each participating employee's annual compensation. Effective January 1, 2014, the Foundation increased its contribution to 2 percent of each participating employee's annual compensation.

Detroit Educational Television Foundation

Notes to Financial Statements June 30, 2014 and 2013

Note 8 - Pension Costs (Continued)

Certain employees also participate in a pension plan administered by the Directors Guild of America. The Foundation contributes 5.5 percent of each participating employee's compensation.

The Foundation contributed approximately \$83,000 and \$58,000 to the two plans during 2014 and 2013, respectively.

Note 9 - Commitments and Contingency

The Foundation has entered into multiple agreements with artists in which the Foundation has rights to manufacture, market, and distribute the artists' products throughout the United States and Canada. The Foundation is also obligated to pay royalties to publishers as a requirement under the copyright act. The Foundation is required to pay such royalties based upon a percentage of proceeds derived from the sales of the products. At June 30, 2014 and 2013, the Foundation has accrued approximately \$633,000 and \$741,000, respectively, in royalties under these agreements.

Note 10 - 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 that 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.

The following tables present information about the Foundation's assets measured at fair value on a recurring basis at June 30, 2014 and 2013 and the valuation techniques used by the Foundation to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related assets and liabilities. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

Detroit Educational Television Foundation

Notes to Financial Statements June 30, 2014 and 2013

Note 10 - Fair Value Measurements (Continued)

In instances whereby 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. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Assets Measured at Fair Value on a Recurring Basis at June 30, 2014

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2014
Assets - Investments				
Money market	\$ 59,544	\$ -	\$ -	\$ 59,544
Mutual funds - Equity investments	1,592,571	-	-	1,592,571
Mutual funds - Fixed-income investments	630,150	-	-	630,150
Mutual funds - Balanced investments	157,157	-	-	157,157
Total assets	<u>\$ 2,439,422</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,439,422</u>

Assets Measured at Fair Value on a Recurring Basis at June 30, 2013

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2013
Assets - Investments				
Money market	\$ 30,154	\$ -	\$ -	\$ 30,154
Mutual funds - Equity investments	969,505	-	-	969,505
Mutual funds - Fixed-income investments	527,277	-	-	527,277
Mutual funds - Balanced investments	171,295	-	-	171,295
Alternative strategies	-	-	64,822	64,822
Total assets	<u>\$ 1,698,231</u>	<u>\$ -</u>	<u>\$ 64,822</u>	<u>\$ 1,763,053</u>

The Foundation's policy is to recognize transfers in and transfers out of Level 1, 2, and 3 fair value classifications as of the actual date of the event of change in circumstances that caused the transfer. During the year ended June 30, 2014, there were no transfers between Level 1, 2, or 3.

Detroit Educational Television Foundation

Notes to Financial Statements June 30, 2014 and 2013

Note 10 - Fair Value Measurements (Continued)

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended June 30, 2014 and 2013 are as follows:

	<u>Alternative Strategies</u>
Balance at June 30, 2013	\$ 64,822
Sales	(62,098)
Total realized losses	<u>(2,724)</u>
Balance at June 30, 2014	<u>\$ -</u>
	<u>Alternative Strategies</u>
Balance at July 1, 2012	\$ 89,682
Sales	(16,040)
Total unrealized losses	<u>(8,820)</u>
Balance at June 30, 2013	<u>\$ 64,822</u>

The fair value of the alternative strategies fund at June 30, 2013 was determined primarily based on Level 3 inputs. The Foundation estimates the fair value of these investments based on the net asset value per unit of each of the units at the close of business.

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets and liabilities. As a result, the unrealized losses for these assets presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

Of the Level 3 assets held by the Foundation at June 30, 2014 and 2013, the unrealized losses for the years then ended were \$0 and \$8,820, respectively, which is recognized in the statement of activities and changes in net assets.

Detroit Educational Television Foundation

Notes to Financial Statements June 30, 2014 and 2013

Note 11 - Donor- and Board-restricted Endowments

The Foundation has developed a spending policy for endowment assets that attempts 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 Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds.

Interpretation of Relevant Law

The board of trustees of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation 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 Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

Detroit Educational Television Foundation

Notes to Financial Statements June 30, 2014 and 2013

Note 11 - Donor- and Board-restricted Endowments

Endowment Net Asset Composition by Type of Fund as of June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 15,296	\$ 80,020	\$ 95,316

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets - Beginning of year	\$ -	\$ 6,371	\$ 80,020	\$ 86,391
Net appreciation (realized and unrealized)	-	8,925	-	8,925
Endowment net assets - End of year	\$ -	\$ 15,296	\$ 80,020	\$ 95,316

Endowment Net Asset Composition by Type of Fund as of June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 6,371	\$ 80,020	\$ 86,391

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets - Beginning of year	\$ -	\$ 215	\$ 80,020	\$ 80,235
Net appreciation (realized and unrealized)	-	6,156	-	6,156
Endowment net assets - End of year	\$ -	\$ 6,371	\$ 80,020	\$ 86,391

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 UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no deficiencies reported as of June 30, 2014 and 2013.

Detroit Educational Television Foundation

Notes to Financial Statements June 30, 2014 and 2013

Note 11 - Donor- and Board-restricted Endowments

Return Objectives and Risk Parameters

The Foundation 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 Foundation must hold in perpetuity or for a donor-specified period(s). 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 a customized index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 5 percent annually. 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 Foundation 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 Foundation 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 and How the Investment Objectives Relate to Spending Policy

The spending policy dictates that the Foundation shall distribute a target amount up to 4 percent of the weighted average market value (over the past 36-month period) of the permanently restricted endowment funds annually. The distribution of assets shall occur in June (based on the previous December 31 weighted average balances) of each year and shall be prorated based on the date of contribution. In establishing this policy, the Foundation considered the long-term expected return on its endowment. The spending total may be adjusted downward if required if certain funds within the endowment fall below their original principal value. The goal of this spending policy is to maintain the real value of the endowment gift.

Additional Information

Independent Auditor's Report on Additional Information

To the Members of the Finance
and Audit Committee
Detroit Educational Television Foundation

We have audited the financial statements of Detroit Educational Television Foundation as of and for the years ended June 30, 2014 and 2013 and have issued our report thereon dated September 19, 2014, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The balance sheet by broadcast entity, statement of activities and changes in net assets by broadcast entity, and statement of functional expenses are presented for the purpose of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Plante & Moran, PLLC

September 19, 2014

Detroit Educational Television Foundation

Balance Sheet by Broadcast Entity June 30, 2014 (with comparative totals as of June 30, 2013)

	WTVS	WRCJ	Totals	
			2014	2013
Assets				
Current Assets				
Cash and cash equivalents	\$ 2,270,483	\$ 1,467,826	\$ 3,738,309	\$ 4,150,934
Receivables:				
Trade - Net	532,493	75,289	607,782	1,249,132
Pledges receivable - Net	2,095,317	260,392	2,355,709	1,438,462
Investments	2,439,422	-	2,439,422	1,763,053
Inventory	168,226	-	168,226	213,885
Intercompany receivable	(2,031,422)	2,031,422	-	-
Restricted cash - Bond payments	894,941	-	894,941	545,894
Prepaid assets and other	299,989	13,685	313,674	298,429
Total current assets	6,669,449	3,848,614	10,518,063	9,659,789
Pledges Receivable - Long term	902,933	7,031	909,964	1,176,012
Property and Equipment - Net	14,958,461	24,659	14,983,120	16,034,633
Other Assets	126,681	-	126,681	141,076
Total assets	\$ 22,657,524	\$ 3,880,304	\$ 26,537,828	\$ 27,011,510
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	\$ 581,507	\$ 196,714	\$ 778,221	\$ 612,721
Current portion of long-term debt	885,000	-	885,000	535,000
Accrued liabilities and other	1,436,871	23,049	1,459,920	1,636,564
Total current liabilities	2,903,378	219,763	3,123,141	2,784,285
Long-term Debt - Net of current portion	3,745,000	-	3,745,000	4,630,000
Total liabilities	6,648,378	219,763	6,868,141	7,414,285
Net Assets				
Unrestricted	14,359,600	3,660,541	18,020,141	18,182,904
Temporarily restricted - Production funding	1,569,526	-	1,569,526	1,334,301
Permanently restricted - Endowment	80,020	-	80,020	80,020
Total net assets	16,009,146	3,660,541	19,669,687	19,597,225
Total liabilities and net assets	\$ 22,657,524	\$ 3,880,304	\$ 26,537,828	\$ 27,011,510

Detroit Educational Television Foundation

Statement of Activities and Changes in Net Assets by Broadcast Entity Years Ended June 30, 2014 (with comparative totals for year ended June 30, 2013)

	WTVS	WRCJ	Totals	
			2014	2013
Changes in Unrestricted Net Assets				
Revenue and support:				
Individual contributions	\$ 8,294,159	\$ 1,266,311	\$ 9,560,470	\$ 9,790,496
Retail product sales	1,546,878	-	1,546,878	2,082,448
Productions of local and national programs	2,964,349	-	2,964,349	3,536,707
Corporate contributions	629,876	364,098	993,974	1,104,462
Corporation for Public Broadcasting grants	1,818,147	163,192	1,981,339	2,230,203
Foundation contributions	586,738	64,100	650,838	561,807
Special events	377,618	-	377,618	511,402
Facilities rental	526,270	-	526,270	743,090
Net realized and unrealized gain on investments	250,047	-	250,047	120,417
Miscellaneous income	182,221	867	183,088	52,688
Total revenue and support	17,176,303	1,858,568	19,034,871	20,733,720
Net assets released from restrictions	915,518	150,000	1,065,518	394,210
Total revenue, support, and net assets released from restrictions	18,091,821	2,008,568	20,100,389	21,127,930
Expenses:				
Program services:				
Communications	961,410	249,947	1,211,357	927,583
Production	6,306,829	-	6,306,829	6,912,092
Engineering	781,693	110,011	891,704	1,522,190
Broadcast	3,586,942	729,489	4,316,431	4,646,602
Total program service expenses	11,636,874	1,089,447	12,726,321	14,008,467
Support services:				
Administration and general	1,920,176	112,076	2,032,252	1,943,730
Fundraising	5,034,584	469,995	5,504,579	4,661,427
Total expenses	18,591,634	1,671,518	20,263,152	20,613,624
(Decrease) Increase in Unrestricted Net Assets	(499,813)	337,050	(162,763)	514,306
Changes in Temporarily Restricted Net Assets				
Contributions	1,300,743	-	1,300,743	1,202,093
Net assets released from restrictions	(915,518)	(150,000)	(1,065,518)	(394,210)
Increase (Decrease) in Temporarily Restricted Net Assets	385,225	(150,000)	235,225	807,883
(Decrease) Increase in Net Assets	(114,588)	187,050	72,462	1,322,189
Net Assets - Beginning of year	16,123,734	3,473,491	19,597,225	18,275,036
Net Assets - End of year	\$ 16,009,146	\$ 3,660,541	\$ 19,669,687	\$ 19,597,225

Detroit Educational Television Foundation

Statement of Functional Expenses Year Ended June 30, 2014 (with comparative totals for year ended June 30, 2013)

	Program Services					Support Services		Total Expenses	
	Communication	Production	Engineering	Broadcast	Total	Administration	Fundraising	2014	2013
Salaries	\$ 449,766	\$ 1,217,609	\$ 530,078	\$ 669,491	\$ 2,866,944	\$ 1,134,958	\$ 1,421,385	\$ 5,423,287	\$ 5,046,131
Employee benefits	59,862	188,830	68,816	88,122	405,630	139,250	166,711	711,591	585,691
Payroll taxes	38,988	148,768	44,990	53,632	286,378	72,050	103,096	461,524	463,549
Total salaries and related expenses	548,616	1,555,207	643,884	811,245	3,558,952	1,346,258	1,691,192	6,596,402	6,095,371
Product production	-	745,642	-	-	745,642	-	-	745,642	1,073,929
Royalties	-	257,273	-	172,402	429,675	-	-	429,675	602,679
Program acquisition	-	-	-	2,555,661	2,555,661	-	-	2,555,661	2,890,304
Program production	-	2,441,352	-	-	2,441,352	-	135,999	2,577,351	3,213,122
Professional services	57,107	39,761	-	223,281	320,149	89,396	866,271	1,275,816	764,563
Donor support	-	-	-	-	-	-	1,023,142	1,023,142	804,761
Direct mail	-	-	-	-	-	-	515,998	515,998	589,337
Heat, power, and light	34,656	69,313	25,205	190,170	319,344	50,409	59,861	429,614	472,100
Advertising and promotion	172,553	1,098	-	-	173,651	-	2,243	175,894	235,778
Information technology	10,170	20,341	7,397	59,998	97,906	29,953	232,625	360,484	329,486
Outreach and events	-	-	-	-	-	-	227,335	227,335	232,693
Maintenance and repairs	25,084	50,167	18,243	14,977	108,471	36,485	43,326	188,282	210,548
Tower rental	-	-	-	119,616	119,616	-	-	119,616	117,554
Telephone	14,119	28,239	10,269	28,019	80,646	20,537	24,388	125,571	118,806
Interest and bond financing	-	-	-	-	-	122,169	-	122,169	106,877
Program guide	238,813	-	-	-	238,813	-	-	238,813	228,257
Legal	2,932	54,250	2,132	977	60,291	4,265	5,064	69,620	64,716
Credit card/bank fees	-	4,686	-	-	4,686	22,353	224,849	251,888	236,871
Equipment	-	26,018	111,857	-	137,875	-	-	137,875	135,194
Insurance	23,617	47,235	17,176	7,872	95,900	34,353	40,794	171,047	164,879
Postage and shipping	-	58,858	1,441	1,842	62,141	4,605	184,722	251,468	220,059
Travel	-	15,133	1,325	6,798	23,256	18,376	16,273	57,905	78,010
Property tax	2,278	4,555	1,657	759	9,249	3,313	3,934	16,496	35,754
Dues, books, and periodicals	-	1,034	-	3,473	4,507	36,279	1,889	42,675	38,751
Office supplies and printing	5,917	13,600	5,123	7,292	31,932	8,287	16,620	56,839	48,063
Audit	-	-	-	-	-	76,200	-	76,200	66,500
Personnel development	10,155	13,534	6,513	2,018	32,220	11,595	16,898	60,713	64,509
Miscellaneous	-	-	-	-	-	23,691	551	24,242	16,869
Depreciation and amortization	65,340	859,533	39,482	110,031	1,074,386	93,728	170,605	1,338,719	1,357,284
Total functional expenses	\$ 1,211,357	\$ 6,306,829	\$ 891,704	\$ 4,316,431	\$ 12,726,321	\$ 2,032,252	\$ 5,504,579	\$ 20,263,152	\$ 20,613,624