

# **Detroit Educational Television Foundation**

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**Financial Report  
with Additional Information  
June 30, 2009**

# **Detroit Educational Television Foundation**

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## **Contents**

<b>Report Letter</b>	1
<b>Financial Statements</b>	
Balance Sheet	2
Statement of Activities and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5-15
<b>Additional Information</b>	16
<b>Report Letter</b>	17
Balance Sheet by Broadcast Entity	18
Statement of Activities and Changes in Net Assets by Broadcast Entity	19
Statement of Functional Expenses	20



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## Independent Auditor's Report

To the Board of Directors  
Detroit Educational Television Foundation

We have audited the accompanying balance sheet of Detroit Educational Television Foundation as of June 30, 2009 and 2008 and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Detroit Educational Television Foundation at June 30, 2009 and 2008 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Plante & Moran, PLLC*

September 22, 2009

# Detroit Educational Television Foundation

## Balance Sheet

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 3,354,111	\$ 2,262,671
Receivables:		
Trade - Net (Note 1)	700,057	1,205,370
Pledges receivable - Net (Note 2)	3,678,135	2,466,609
Investments	995,364	1,222,874
Inventory	401,921	460,437
Restricted cash - Bond payments (Note 4)	245,009	244,592
Prepaid assets and other	358,492	293,596
	<hr/>	<hr/>
Total current assets	9,733,089	8,156,149
<b>Pledges Receivable - Long-term (Note 2)</b>	3,761,334	2,907,634
<b>Property and Equipment - Net (Note 3)</b>	15,670,345	14,538,375
<b>Other Assets</b>	181,384	190,021
	<hr/>	<hr/>
Total assets	<b><u>\$ 29,346,152</u></b>	<b><u>\$ 25,792,179</u></b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 1,402,712	\$ 1,210,376
Current portion of long-term debt (Note 4)	235,000	225,000
Current portion of capital lease obligation	112,297	-
Accrued liabilities and other (Note 9)	1,495,118	1,249,589
	<hr/>	<hr/>
Total current liabilities	3,245,127	2,684,965
<b>Capital Lease Obligation - Net of current portion</b>	64,412	-
<b>Long-term Debt - Net of current portion (Note 4)</b>	6,910,000	7,145,000
	<hr/>	<hr/>
Total liabilities	10,219,539	9,829,965
<b>Net Assets</b>		
Unrestricted	17,666,089	15,338,427
Temporarily restricted - Production funding, children's programming, and other	1,380,504	543,787
Permanently restricted - Endowment	80,020	80,000
	<hr/>	<hr/>
Total net assets	19,126,613	15,962,214
	<hr/>	<hr/>
Total liabilities and net assets	<b><u>\$ 29,346,152</u></b>	<b><u>\$ 25,792,179</u></b>

# Detroit Educational Television Foundation

## Statement of Activities and Changes in Net Assets

	Year Ended	
	June 30, 2009	June 30, 2008
<b>Changes in Unrestricted Net Assets</b>		
Revenue and support:		
Individual contributions	\$ 6,995,559	\$ 8,357,035
Retail product sales	3,141,708	4,051,346
Productions of local and national programs	2,017,582	1,839,194
Corporate contributions	792,360	1,458,637
Corporation for Public Broadcasting grant	1,651,578	1,824,905
Foundation contributions	190,000	403,075
Special events	399,094	220,418
Facilities rental	561,633	2,003,524
Capital campaign contributions	6,807,392	1,456,145
Net realized and unrealized losses on investments	(227,510)	(55,729)
Interest income - Unrestricted	11,278	38,237
Miscellaneous (loss) income	(78,831)	137,521
	<u>22,261,843</u>	<u>21,734,308</u>
Net assets released from restrictions	371,204	391,843
	<u>22,633,047</u>	<u>22,126,151</u>
Total revenue, support, and net assets released from restrictions		
Expenses:		
Program services:		
Communications	794,352	1,171,313
Production	4,897,875	4,908,261
Engineering	3,061,790	3,376,393
Broadcast	4,562,905	4,692,347
	<u>13,316,922</u>	<u>14,148,314</u>
Support services:		
Administration and general	2,199,293	2,241,881
Fund-raising	4,789,170	5,240,612
	<u>20,305,385</u>	<u>21,630,807</u>
<b>Increase in Unrestricted Net Assets</b>	<b>2,327,662</b>	<b>495,344</b>
<b>Changes in Temporarily Restricted Net Assets</b>		
Contributions	1,207,921	267,800
Net assets released from restrictions	(371,204)	(391,843)
	<u>836,717</u>	<u>(124,043)</u>
<b>Increase (Decrease) in Temporarily Restricted Net Assets</b>	<b>836,717</b>	<b>(124,043)</b>
<b>Increase in Permanently Restricted Net Assets - Contributions</b>	<b>20</b>	<b>80,000</b>
<b>Increase in Net Assets</b>	<b>3,164,399</b>	<b>451,301</b>
<b>Net Assets - Beginning of year</b>	<b>15,962,214</b>	<b>15,510,913</b>
<b>Net Assets - End of year</b>	<b>\$ 19,126,613</b>	<b>\$ 15,962,214</b>

# Detroit Educational Television Foundation

## Statement of Cash Flows

	Year Ended	
	June 30, 2009	June 30, 2008
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 3,164,399	\$ 451,301
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation and amortization	775,586	656,798
Loss (gain) on sale of property and equipment	104,765	(780)
Net realized and unrealized losses on investments	227,510	55,729
Changes in operating assets and liabilities that provided (used) cash:		
Accounts receivable	505,313	114,632
Inventory	58,516	(62,310)
Pledges receivable	(2,065,226)	1,356,378
Prepaid assets and other	(64,896)	(4,798)
Accounts payable, trade, and other	192,336	677,107
Accrued liabilities and other	245,529	(440,363)
Net cash provided by operating activities	3,143,832	2,803,694
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(2,240,184)	(1,459,835)
Proceeds from disposition of property and equipment	413,209	800
Purchases of investments	(19,616)	(367,652)
Proceeds from sales and maturities of investments	19,616	287,652
Net cash used in investing activities	(1,826,975)	(1,539,035)
<b>Cash Flows from Financing Activities - Payments on debt</b>	<u>(225,000)</u>	<u>(1,380,000)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	1,091,857	(115,341)
<b>Cash and Cash Equivalents - Beginning of year</b>	<u>2,507,263</u>	<u>2,622,604</u>
<b>Cash and Cash Equivalents - End of year</b>	<u><b>\$ 3,599,120</b></u>	<u><b>\$ 2,507,263</b></u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid for interest	\$ 193,085	\$ 234,583
Equipment obtained via capital lease	176,709	-
<b>Cash and Cash Equivalents are Comprised of the Following</b>		
Unrestricted	\$ 3,354,111	\$ 2,262,671
Restricted	245,009	244,592
Total	<u><b>\$ 3,599,120</b></u>	<u><b>\$ 2,507,263</b></u>

# Detroit Educational Television Foundation

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## Notes to Financial Statements June 30, 2009 and 2008

### 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 \$1,381,000 and \$544,000 at June 30, 2009 and 2008, respectively. Changes in temporarily restricted net assets include contributions of \$1,207,921 and \$267,800 restricted for production funding at June 30, 2009 and 2008, respectively. Changes in temporarily restricted net assets also include \$13,968 and \$27,968 restricted for children's programming and other purposes at June 30, 2009 and 2008, respectively.

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

Changes in permanently restricted net assets include contributions of \$20 and \$80,000 to the endowment at June 30, 2009 and 2008, respectively.

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

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## Notes to Financial Statements June 30, 2009 and 2008

### Note 1 - 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.

**Investments** - The Foundation has investments in mutual funds at June 30, 2009 and 2008. Investments are recorded at fair value based on quoted market prices.

**Accounts Receivable** - Accounts receivable consist of trade receivables and receivables from Koch Entertainment LLC (Koch) for sales of retail products that are companions to the Foundation's fund-raising programs.

Trade receivables 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. At June 30, 2009 and 2008, gross trade accounts receivable were approximately \$311,000 and \$589,000, respectively, net of an allowance for doubtful accounts of approximately \$82,000 and \$7,800, respectively.

The Foundation entered into an agreement until January 2012 with Koch for retail distribution throughout the United States and Canada of its music and video products that are companions to its television fund-raising programs. The receivable for retail sales by Koch 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. At June 30, 2009 and 2008, accounts receivable from Koch totaled approximately \$389,000 and \$617,000, respectively, net of an allowance for returned merchandise of \$135,000 and \$146,000, respectively.

**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.

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 fund-raising.

**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.

# Detroit Educational Television Foundation

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## Notes to Financial Statements June 30, 2009 and 2008

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

**Restricted Cash** - The Michigan Strategic Fund Variable Rate Demand Limited Obligation Revenue Bonds Series 2005 contains 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.

**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 is recognized when the sales occur.

**Functional Allocation of Expenses** - The costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

**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.

# Detroit Educational Television Foundation

## Notes to Financial Statements June 30, 2009 and 2008

### Note 2 - Pledges Receivable

Pledges receivable represent amounts pledged from donors. Pledges receivable consist of the following as of June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Pledges receivable	\$ 8,322,946	\$ 5,879,785
Less unamortized discount	(227,570)	(255,049)
Less allowance for uncollectible pledges	<u>(655,907)</u>	<u>(250,493)</u>
Net pledges receivable	<u>\$ 7,439,469</u>	<u>\$ 5,374,243</u>
Amounts due in:		
Less than one year	\$ 4,342,695	\$ 2,717,102
One to five years	<u>3,980,251</u>	<u>3,162,683</u>
Gross payments on pledges receivable	<u>\$ 8,322,946</u>	<u>\$ 5,879,785</u>

The Foundation discounted the pledges with interest rates ranging from 1.5 percent to 4 percent.

### Note 3 - Property and Equipment

The cost of property and equipment and the related accumulated depreciation at June 30, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Land	\$ 2,539,173	\$ 2,746,173
Land improvements	59,871	74,543
Buildings and building improvements	9,815,395	9,777,336
Broadcast and production equipment	4,724,938	9,200,335
Office equipment	901,453	1,322,214
Capital lease equipment	176,709	-
Construction in progress	<u>998,596</u>	<u>784,743</u>
Total cost	19,216,135	23,905,344
Accumulated depreciation	<u>(3,545,790)</u>	<u>(9,366,969)</u>
Net carrying amount	<u>\$ 15,670,345</u>	<u>\$ 14,538,375</u>

Depreciation expense was \$766,949 and \$648,160 at June 30, 2009 and 2008, respectively.

# Detroit Educational Television Foundation

## Notes to Financial Statements June 30, 2009 and 2008

### Note 4 - 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 (0.85 percent at June 30, 2009), 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 \$225,000 to \$2,000,000 through 2030. Beginning in 2008, the bond agreement required the Foundation to make deposits into an escrow account as described in Note 1. At June 30, 2009 and 2008, the balance of the escrow account was \$245,009 and \$244,592, 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. The letter of credit expires on July 16, 2010. 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.

Minimum principal payments on the bonds payable to maturity as of June 30, 2009 are as follows:

Years Ending June 30	Amount
2010	\$ 235,000
2011	240,000
2012	250,000
2013	255,000
2014	265,000
2015 and thereafter	5,900,000
Total	<u>\$ 7,145,000</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.

Interest expense for the years ended June 30, 2009 and 2008 was \$173,345 and \$216,249, respectively.

# Detroit Educational Television Foundation

## Notes to Financial Statements June 30, 2009 and 2008

### Note 4 - Long-term Debt (Continued)

During 2009, the Foundation entered into an interest rate swap agreement in conjunction with its variable rate bonds. The swap agreement fixes the rate of interest that the Foundation will pay on \$3,752,500 of its variable rate bonds to a 2.81 fixed percent. The variable rate, which the Foundation receives, is based on 68 percent of the one-month LIBOR. The interest rate swap expires on July 1, 2013. The Foundation is exposed to credit loss in the event of nonperformance by the other party to the interest swap agreement. However, the Foundation does not anticipate nonperformance by the counterparty.

### Note 5 - Line of Credit

The Foundation has available an unsecured line of credit, payable upon demand, which allows the Foundation to borrow up to \$500,000, with interest at 1 percent per annum above the CB floating rate, an effective rate of 4.25 percent at June 30, 2009. The line of credit expires December 31, 2009. There were no borrowings under this line of credit during the years ended June 30, 2009 and 2008.

### Note 6 - 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 increase 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 with monthly payments ranging from \$249 to \$9,346 with various expiration dates through 2012. The Foundation leased space for its analog television antenna under a noncancelable operating lease which expired February 28, 2009. Future minimum payments under these leases with initial or remaining terms of one year or more are as follows:

Years Ending June 30	Amount
2010	\$ 302,182
2011	247,958
2012	195,751
2013	112,152
2014	112,152
Thereafter	560,761
Total	<u>\$ 1,530,956</u>

Antenna rent expense was approximately \$203,000 and \$210,000 for the years ended June 30, 2009 and 2008, respectively.

# **Detroit Educational Television Foundation**

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## **Notes to Financial Statements June 30, 2009 and 2008**

### **Note 7 - Pension Costs**

The Foundation has a defined contribution retirement plan covering substantially all full-time employees. Historically, the Foundation contributed 10 percent of each participating employee's compensation to the retirement plan. As of February 1, 2009, this contribution was reduced to 1 percent.

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 \$353,000 and \$513,000 to the two plans during 2009 and 2008, respectively.

### **Note 8 - Conditional Promises to Give**

During the year ended June 30, 2006, the Foundation received a \$1,000,000 conditional promise. Revenue was recognized as the conditions of the promise were met. As of June 30, 2008, the Foundation had met all conditions of the promise to give. At June 30, 2009, the Foundation had received the entire contribution.

During the year ended June 30, 2008, the Foundation received a \$1,250,000 conditional promise. To satisfy the conditions of the promise, the Foundation was required to raise \$20,750,000 in capital campaign contributions. No revenue was recognized or received during the year ended June 30, 2008. For the year ended June 30, 2009, the Foundation had met all conditions of the promise to give and recognized and received the entire contribution.

### **Note 9 - Commitments**

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 also is 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, 2009 and 2008, the Foundation has accrued approximately \$662,000 and \$729,000, respectively, in royalties under these agreements.

### **Note 10 - Construction Contract Commitments**

On April 14, 2009, the Foundation entered into an agreement with a contractor to perform the buildout of the production studio for a total estimated cost of \$1,480,000. Through June 30, 2009, approximately \$722,000 of cost was incurred and \$91,000 of the cost was paid related to the project.

# Detroit Educational Television Foundation

## Notes to Financial Statements June 30, 2009 and 2008

### Note 11 - Fair Value Measurements

As of July 1, 2008, the Foundation adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 clarifies the definition of fair value, establishes a framework for measuring fair value, and expands the disclosures for fair value measurements. The standard applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. The provisions of SFAS 157 are effective prospectively for periods beginning July 1, 2008 for financial assets and liabilities and for periods beginning July 1, 2009 for nonfinancial assets and liabilities as a result of the deferral of the effective date of SFAS 157 provided by FSP FAS 157-2. The implementation of the provisions of SFAS 157 for financial assets and liabilities as of July 1, 2008 did not have a material impact on the Foundation's financial statements.

The following tables present information about the Foundation's assets and liabilities measured at fair value on a recurring basis at June 30, 2009, 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 or liabilities 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 and liabilities 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 asset or liability.

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

#### Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2009

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Balance at June 30, 2009
<b>Assets</b> - Investment securities - Mutual funds	\$ 995,364	\$ -	\$ 995,364
<b>Liabilities</b> - Interest rate swap	\$ -	\$ 167,189	\$ 167,189

# Detroit Educational Television Foundation

## Notes to Financial Statements June 30, 2009 and 2008

### Note 12 - Donor and Board Restricted Endowments

The Foundation is in the process of developing an investment and spending policy for endowment assets that attempts to provide a predictable stream of fundings 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) as well as board designated funds.

#### Interpretation of Relevant Law

The board of trustees of the Foundation has interpreted the Uniform Management of Institutional Funds Act (UMIFA) 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 organization in a manner consistent with the standard of prudence prescribed by UMIFA. In accordance with UMIFA, the organization 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 organization 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 organization
- (7) The investment policies of the organization.

#### Endowment Net Asset Composition by Type of Fund as of June 30, 2009

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

# Detroit Educational Television Foundation

## Notes to Financial Statements June 30, 2009 and 2008

### Note 12 - Donor and Board Restricted Endowments (Continued)

#### Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets -				
Beginning of year	\$ -	\$ -	\$ 80,000	\$ 80,000
Investment return -				
Contributions	-	-	20	20
Endowment net assets -				
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,020</u>	<u>\$ 80,020</u>

#### Endowment Net Asset Composition by Type of Fund as of June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,000</u>	<u>\$ 80,000</u>

#### Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets -				
Beginning of year	\$ -	\$ -	\$ -	\$ -
Investment return -				
Contributions	-	-	80,000	80,000
Endowment net assets -				
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,000</u>	<u>\$ 80,000</u>

#### Return Objectives and Risk Parameters

The Foundation will adopt 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) as well as board-designated funds.

#### Strategies Employed for Achieving Objectives

The Foundation will rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends), through a diversified asset base.

# **Detroit Educational Television Foundation**

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## **Notes to Financial Statements June 30, 2009 and 2008**

### **Note 12 - Donor and Board Restricted Endowments (Continued)**

#### **Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Foundation will design a spending policy designed to allow its endowment value to grow at a rate that will allow it to maintain the purchasing power of the assets held in perpetuity or for a specified term, as well as to provide for additional real growth through new gifts and investment return.

On September 15, 2009, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) was signed into law in the state of Michigan. The board of directors and management are currently reviewing UPMIFA to determine their interpretation of the law and the impact on their policies. The impact is not yet known.

### **Note 13 - Subsequent Events**

The financial statements and related disclosures include evaluation of events up through and including September 22, 2009, which is the date the financial statements were available to be issued.

## **Additional Information**

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To the Board of Directors  
Detroit Educational Television Foundation

We have audited the financial statements of Detroit Educational Television Foundation as of June 30, 2009 and 2008. Our audits were made for the purpose of forming an opinion on the financial statements taken 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 required parts of the basic financial statements. Such information has been subjected to the procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

September 22, 2009

# Detroit Educational Television Foundation

## Balance Sheet by Broadcast Entity June 30, 2009 (with comparative totals for June 30, 2008)

	WTVS	WRCJ	Totals	
			2009	2008
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 3,104,324	\$ 249,787	\$ 3,354,111	\$ 2,262,671
Receivables:				
Trade - Net	648,675	51,382	700,057	1,205,370
Pledges receivable - Net	3,614,880	63,255	3,678,135	2,466,609
Investments	995,364	-	995,364	1,222,874
Inventory	401,921	-	401,921	460,437
Intercompany receivable	(1,405,102)	1,405,102	-	-
Restricted cash - Bond payments	245,009	-	245,009	244,592
Prepaid assets and other	343,698	14,794	358,492	293,596
Total current assets	7,948,769	1,784,320	9,733,089	8,156,149
<b>Pledges Receivable - Long-term</b>	3,761,334	-	3,761,334	2,907,634
<b>Property and Equipment - Net</b>	15,587,242	83,103	15,670,345	14,538,375
<b>Other Assets</b>	181,384	-	181,384	190,021
Total assets	<u>\$ 27,478,729</u>	<u>\$ 1,867,423</u>	<u>\$ 29,346,152</u>	<u>\$ 25,792,179</u>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 1,207,112	\$ 195,600	\$ 1,402,712	\$ 1,210,376
Current portion of long-term debt	235,000	-	235,000	225,000
Current portion of capital lease obligation	112,297	-	112,297	-
Accrued liabilities and other	1,458,197	36,921	1,495,118	1,249,589
Total current liabilities	3,012,606	232,521	3,245,127	2,684,965
<b>Capital Lease Obligation - Net of current portion</b>	64,412	-	64,412	-
<b>Long-term Debt - Net of current portion</b>	6,910,000	-	6,910,000	7,145,000
Total liabilities	9,987,018	232,521	10,219,539	9,829,965
<b>Net Assets</b>				
Unrestricted	16,031,187	1,634,902	17,666,089	15,338,427
Temporarily restricted - Production funding, children's programming, and other	1,380,504	-	1,380,504	543,787
Permanently restricted - Endowment	80,020	-	80,020	80,000
Total net assets	17,491,711	1,634,902	19,126,613	15,962,214
Total liabilities and net assets	<u>\$ 27,478,729</u>	<u>\$ 1,867,423</u>	<u>\$ 29,346,152</u>	<u>\$ 25,792,179</u>

# Detroit Educational Television Foundation

## Statement of Activities and Changes in Net Assets by Broadcast Entity Years Ended June 30, 2009 (with comparative totals for year ended June 30, 2008)

	WTVS	WRCJ	Totals	
			2009	2008
<b>Changes in Unrestricted Net Assets</b>				
Revenue and support:				
Individual contributions	\$ 5,996,677	\$ 998,882	\$ 6,995,559	\$ 8,357,035
Retail product sales	3,141,708	-	3,141,708	4,051,346
Productions of local and national programs	2,017,582	-	2,017,582	1,839,194
Corporate contributions	467,754	324,606	792,360	1,458,637
Corporation for Public Broadcasting grant	1,461,399	190,179	1,651,578	1,824,905
Foundation contributions	190,000	-	190,000	403,075
Special events	399,094	-	399,094	220,418
Facilities rental	561,633	-	561,633	2,003,524
Capital campaign contributions	6,807,392	-	6,807,392	1,456,145
Net realized and unrealized loss on investments	(227,510)	-	(227,510)	(55,729)
Interest income - Unrestricted	10,658	620	11,278	38,237
Miscellaneous income (loss)	(79,715)	884	(78,831)	137,521
<b>Total revenue and support</b>	<b>20,746,672</b>	<b>1,515,171</b>	<b>22,261,843</b>	<b>21,734,308</b>
Net assets released from restrictions	371,204	-	371,204	391,843
<b>Total revenue, support, and net assets released from restrictions</b>	<b>21,117,876</b>	<b>1,515,171</b>	<b>22,633,047</b>	<b>22,126,151</b>
Expenses:				
Program services:				
Communications	749,074	45,278	794,352	1,171,313
Production	4,865,175	32,700	4,897,875	4,908,261
Engineering	2,977,615	84,175	3,061,790	3,376,393
Broadcast	3,785,280	777,625	4,562,905	4,692,347
<b>Total program service expenses</b>	<b>12,377,144</b>	<b>939,778</b>	<b>13,316,922</b>	<b>14,148,314</b>
Support services:				
Administration and general	1,975,406	223,887	2,199,293	2,241,881
Fund-raising	4,478,226	310,944	4,789,170	5,240,612
<b>Total expenses</b>	<b>18,830,776</b>	<b>1,474,609</b>	<b>20,305,385</b>	<b>21,630,807</b>
<b>Increase in Unrestricted Net Assets</b>	<b>2,287,100</b>	<b>40,562</b>	<b>2,327,662</b>	<b>495,344</b>
<b>Changes in Temporarily Restricted Net Assets</b>				
Contributions	1,207,921	-	1,207,921	267,800
Net assets released from restrictions	(371,204)	-	(371,204)	(391,843)
<b>Increase (Decrease) in Temporarily Restricted Net Assets</b>	<b>836,717</b>	<b>-</b>	<b>836,717</b>	<b>(124,043)</b>
<b>Increase in Permanently Restricted Net Assets - Contributions</b>	<b>20</b>	<b>-</b>	<b>20</b>	<b>80,000</b>
<b>Increase in Net Assets</b>	<b>3,123,837</b>	<b>40,562</b>	<b>3,164,399</b>	<b>451,301</b>
<b>Net Assets - Beginning of year</b>	<b>14,367,874</b>	<b>1,594,340</b>	<b>15,962,214</b>	<b>15,510,913</b>
<b>Net Assets - End of year</b>	<b>\$ 17,491,711</b>	<b>\$ 1,634,902</b>	<b>\$ 19,126,613</b>	<b>\$ 15,962,214</b>

# Detroit Educational Television Foundation

## Statement of Functional Expenses Year Ended June 30, 2009 (with comparative totals for year ended June 30, 2008)

	Program Services					Support Services		Total Expenses	
	Broadcast	Communications	Engineering	Production	Total	Administration	Fund-raising	2009	2008
Salaries	\$ 1,159,991	\$ 228,226	\$ 1,565,514	\$ 702,635	\$ 3,656,366	\$ 942,577	\$ 979,467	\$ 5,578,410	\$ 6,473,257
Employee benefits	178,859	34,583	253,135	77,114	543,691	183,022	183,457	910,170	1,297,725
Payroll taxes	90,388	17,460	145,065	35,238	288,151	56,493	80,279	424,923	513,102
<b>Total salaries and related expenses</b>	<b>1,429,238</b>	<b>280,269</b>	<b>1,963,714</b>	<b>814,987</b>	<b>4,488,208</b>	<b>1,182,092</b>	<b>1,243,203</b>	<b>6,913,503</b>	<b>8,284,084</b>
Product production	-	-	-	1,450,888	1,450,888	-	-	1,450,888	1,833,823
Royalties	160,050	-	-	834,267	994,317	-	-	994,317	940,769
Program acquisition	2,222,627	-	-	-	2,222,627	-	-	2,222,627	2,128,320
Program production	-	-	-	1,190,500	1,190,500	-	22,529	1,213,029	947,434
Professional services	63,081	30,659	12,698	198,286	304,724	54,151	1,012,600	1,371,475	1,238,267
Donor support	-	-	-	-	-	-	547,847	547,847	769,056
Direct mail	-	-	-	-	-	-	686,069	686,069	654,605
Heat, power, and light	54,795	20,629	313,896	30,943	420,263	54,150	79,936	554,349	620,195
Advertising and promotion	-	143,798	-	10,355	154,153	-	4,585	158,738	196,593
Information technology	62,057	6,220	29,543	9,521	107,341	22,032	323,759	453,132	337,096
Outreach and events	-	8,941	-	-	8,941	-	161,248	170,189	220,600
Maintenance and repairs	20,042	7,519	113,378	11,796	152,735	19,737	29,190	201,662	248,627
Public Broadcasting Service fees	260,178	-	-	-	260,178	-	-	260,178	272,438
Tower rental	-	-	202,715	-	202,715	-	-	202,715	210,056
Telephone	39,138	8,853	47,920	16,582	112,493	22,884	36,245	171,622	173,351
Interest and bond financing	-	-	-	-	-	512,366	-	512,366	325,050
Program guide	-	200,020	-	-	200,020	-	-	200,020	211,160
Legal	9,010	3,392	16,112	39,394	67,908	8,904	13,144	89,956	60,998
Credit card/Bank fees	-	-	-	6,241	6,241	17,097	209,491	232,829	192,896
Equipment	20,638	5,652	26,849	8,479	61,618	15,385	24,349	101,352	173,315
Security	36,231	-	50,042	15,803	102,076	-	-	102,076	134,591
Insurance	28,368	10,680	50,728	16,019	105,795	28,034	41,383	175,212	174,688
Postage and shipping	1,357	1,497	593	51,147	54,594	6,706	105,525	166,825	226,208
Travel	7,803	6,836	2,251	107,990	124,880	22,057	27,476	174,413	128,066
Property tax	-	-	-	-	-	23,792	-	23,792	31,221
Dues, books, and periodicals	11,939	175	930	299	13,343	18,789	80	32,212	64,515
Office supplies and printing	3,397	11,068	1,311	12,162	27,938	8,049	30,130	66,117	64,843
Audit	-	-	-	-	-	54,021	-	54,021	66,850
Personnel development	2,637	870	4,133	1,305	8,945	4,452	6,995	20,392	32,705
Miscellaneous	4,748	-	426	-	5,174	502	200	5,876	11,589
Depreciation and amortization	125,571	47,274	224,551	70,911	468,307	124,093	183,186	775,586	656,798
<b>Total functional expenses</b>	<b>\$ 4,562,905</b>	<b>\$ 794,352</b>	<b>\$ 3,061,790</b>	<b>\$ 4,897,875</b>	<b>\$ 13,316,922</b>	<b>\$ 2,199,293</b>	<b>\$ 4,789,170</b>	<b>\$ 20,305,385</b>	<b>\$ 21,630,807</b>