Detroit Educational Television Foundation

Financial Report
with Additional Information
June 30, 2011

Detroit Educational Television Foundation

Contents

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Independent Auditor's Report

To the Members of the Finance Committee
Detroit Educational Television Foundation

We have audited the accompanying balance sheet of Detroit Educational Television Foundation (the "Foundation") as of June 30, 2011 and 2010 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, 2011 and 2010 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 23, 2011

Detroit Educational Television Foundation

Balance Sheet

	June 30, 2011	June 30, 2010
Assets		
Current Assets		
Cash and cash equivalents	$ 3,586,363	$ 2,553,385
Receivables:		
Trade - Net	1,356,599	1,330,063
Pledges receivable - Net (Note 2)	2,366,192	2,680,910
Investments	1,380,902	1,162,280
Inventory	347,097	296,403
Restricted cash - Bond payments (Note 4)	271,261	250,023
Prepaid assets and other	273,297	403,062
Total current assets	9,581,711	8,676,126
Pledges Receivable - Long term (Note 2)	1,008,519	2,120,433
Property and Equipment - Net (Note 3)	17,904,697	18,125,925
Other Assets	164,109	172,746
Total assets	**$ 28,659,036**	**$ 29,095,230**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 662,451	$ 643,937
Current portion of long-term debt (Note 4)	250,000	240,000
Current portion of capital lease obligation (Note 8)	371,160	489,564
Accrued liabilities and other (Note 10)	1,648,651	1,977,474
Total current liabilities	2,932,262	3,350,975
Capital Lease Obligation - Net of current portion (Note 8)	266,707	629,588
Long-term Debt - Net of current portion (Note 4)	6,420,000	6,670,000
Total liabilities	9,618,969	10,650,563
Net Assets		
Unrestricted	18,056,371	17,980,892
Temporarily restricted - Production funding	903,676	383,755
Permanently restricted - Endowment	80,020	80,020
Total net assets	19,040,067	18,444,667
Total liabilities and net assets	**$ 28,659,036**	**$ 29,095,230**

See Notes to Financial Statements.

Detroit Educational Television Foundation

Statement of Activities and Changes in Net Assets

	Year Ended June 30, 2011	Year Ended June 30, 2010
Changes in Unrestricted Net Assets		
Revenue and support:		
Individual contributions	$ 8,906,244	$ 8,055,534
Retail product sales	2,556,292	3,147,920
Productions of local and national programs	2,959,220	1,979,239
Corporate contributions	1,006,635	701,911
Corporation for Public Broadcasting grant	1,688,794	2,165,750
Foundation contributions	521,428	555,639
Special events	303,512	262,000
Facilities rental	883,353	697,898
Capital campaign contributions	188,104	293,761
Net realized and unrealized gains on investments	190,691	129,389
Interest income	4,482	6,074
Miscellaneous income	53,922	148,641
Total revenue and support	19,262,677	18,143,756
Net assets released from restrictions	905,929	1,282,215
Total revenue, support, and net assets released from restrictions	20,168,606	19,425,971
Expenses:		
Program services:		
Communications	923,415	893,734
Production	6,203,275	5,869,014
Engineering	1,911,286	1,974,764
Broadcast	4,197,912	3,912,723
Total program services	13,235,888	12,650,235
Support services:		
Administration and general	2,192,543	2,098,660
Fundraising	4,664,696	4,362,273
Total expenses	20,093,127	19,111,168
Increase in Unrestricted Net Assets	75,479	314,803
Changes in Temporarily Restricted Net Assets		
Contributions	1,425,850	285,466
Net assets released from restrictions	(905,929)	(1,282,215)
Increase (Decrease) in Temporarily Restricted Net Assets	519,921	(996,749)
Increase (Decrease) in Net Assets	595,400	(681,946)
Net Assets - Beginning of year	18,444,667	19,126,613
Net Assets - End of year	**$ 19,040,067**	**$ 18,444,667**

Statement of Cash Flows

	Year Ended June 30, 2011	Year Ended June 30, 2010
Cash Flows from Operating Activities		
Increase (decrease) in net assets	$ 595,400	$ (681,946)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation and amortization	1,314,630	1,078,342
Net realized and unrealized gains on investments	(190,691)	(129,389)
Change in value of interest rate swap	40,155	(21,969)
Change in pledge discount	58,681	128,115
Changes in operating assets and liabilities that (used) provided cash:		
Accounts receivable	(26,536)	(630,006)
Inventory	(50,694)	105,518
Pledges receivable	1,367,951	2,510,011
Prepaid assets and other	129,764	(44,570)
Accounts payable	18,514	(758,775)
Accrued liabilities and other	(368,978)	504,325
Net cash provided by operating activities	2,888,196	2,059,656
Cash Flows from Investing Activities		
Purchase of property and equipment	(1,069,928)	(2,352,584)
Proceeds from disposition of property and equipment	(14,836)	-
Purchases of investments	(633,482)	(235,201)
Proceeds from sales and maturities of investments	605,551	197,674
Net cash used in investing activities	(1,112,695)	(2,390,111)
Cash Flows from Financing Activities - Payments on debt	(721,285)	(465,257)
Net Increase (Decrease) in Cash and Cash Equivalents	1,054,216	(795,712)
Cash and Cash Equivalents - Beginning of year	2,803,408	3,599,120
Cash and Cash Equivalents - End of year	**$ 3,857,624**	**$ 2,803,408**
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 163,237	$ 162,543
Equipment obtained via capital lease	-	1,172,700
Cash and Cash Equivalents are Comprised of the Following		
Unrestricted	$ 3,586,363	$ 2,553,385
Restricted	271,261	250,023
Total	**$ 3,857,624**	**$ 2,803,408**

Note 1 - 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 $904,000 and $384,000 at June 30, 2011 and 2010, respectively. Changes in temporarily restricted net assets include contributions of $1,425,850 and $285,466 restricted for production funding at June 30, 2011 and 2010, 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.

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, 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, 2011 and 2010. Investments are recorded at fair value based on quoted market prices or net asset value.

Accounts Receivable - Accounts receivable consist of trade receivables and receivables from E1 Entertainment LLC (E1) for sales of retail products that are companions to the Foundation's fundraising 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, 2011 and 2010, trade accounts receivable were approximately $938,000 and $930,000, respectively, net of an allowance for doubtful accounts of approximately $35,000 and $76,000, respectively.

The Foundation entered into an agreement until January 2012 with E1 for retail distribution throughout the United States and Canada of its music and video products that are companions to its television fundraising programs. The receivable for retail sales by E1 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, 2011 and 2010, accounts receivable from E1 totaled approximately $419,000 and $401,000, respectively, net of an allowance for returned merchandise of $53,000 and $110,000, 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 fundraising.

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

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.

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.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including September 23, 2011, which is the date the financial statements were available to be issued.

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 organization and recognize a tax liability if the organization 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, 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements, except as disclosed in Note 10. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Note 2 - Pledges Receivable

Pledges receivable represent amounts pledged from donors. Pledges receivable consist of the following as of June 30, 2011 and 2010:

	2011	2010
Pledges receivable	$ 3,944,981	$ 5,466,279
Less unamortized discount	(40,774)	(99,455)
Less allowance for uncollectible pledges	(529,496)	(565,481)
Net pledges receivable	$ 3,374,711	$ 4,801,343
Amounts due in:		
Less than one year	$ 2,895,688	$ 3,246,391
One to five years	1,049,293	2,219,888
Gross payments on pledges receivable	$ 3,944,981	$ 5,466,279

The Foundation discounted the pledges with interest rates ranging from 1 percent to 4 percent.

Note 3 - Property and Equipment

The cost of property and equipment and related accumulated depreciation at June 30, 2011 and 2010 are as follows:

	2011	2010	Depreciable Life - Years
Land	$ 2,539,173	$ 2,539,173	-
Land improvements	69,111	69,111	10-15
Buildings and building improvements	12,007,547	11,535,224	7-40
Broadcast and production equipment	6,938,759	5,626,470	2-10
Office equipment	836,078	1,329,695	3-5
Capital lease equipment	1,402,921	1,403,062	5-20
Construction in progress	-	232,144	-
Total cost	23,793,589	22,734,879	
Accumulated depreciation	5,888,892	4,608,954	
Net carrying amount	$ 17,904,697	$ 18,125,925	

Depreciation expense was $1,305,992 for 2011 and $1,069,705 for 2010.

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 (.10 percent at June 30, 2011), 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, 2011 and 2010, the balance of the escrow account was $771,261 and $250,023, respectively. Of the escrow account balance at June 30, 2011, $500,000 related to a payment of additional principal as described below. 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. The letter of credit expires on July 16, 2013. 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.

Note 4 - Long-term Debt (Continued)

Minimum principal payments on the bonds payable to maturity as of June 30, 2011 are as follows:

Years Ending June 30		Amount
2012		$ 250,000
2013		255,000
2014		265,000
2015		270,000
2016		280,000
2017 and thereafter		5,350,000
	Total	$ 6,670,000

During July 2011, in addition to the scheduled maturity principal payment of $250,000, the Foundation paid down an additional $500,000 of principal.

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, 2011 and 2010 was $154,159 and $148,803, respectively.

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 $3,335,000 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 rate swap agreement. However, the Foundation does not anticipate nonperformance by the counterparty. The swap is recorded at fair market value. The fair market value as of June 30, 2011 and 2010 was $149,003 and $189,158, respectively. This is included within the "accrued liabilities and other" line of the balance sheet.

Note 5 - Derivative Financial Instruments

The Foundation is exposed to certain risks in the normal course of its business operations. The main risks are those relating to the variability of future earnings and cash flows, which are managed through the use of derivatives. The only derivative instrument used by the Foundation is an interest rate swap. All derivative financial instruments are reported in the balance sheet at fair value.

Note 5 - Derivative Financial Instruments (Continued)

The interest rate swap is used to manage price risk associated with interest rates on variable rate borrowing. The interest rate swap used by the Foundation does not qualify for hedge accounting. All interest rate swaps are reported in the balance sheet at fair value and all gains and losses recognized on interest rate swaps are included in the change in unrestricted net assets on the statement of activities and changes in net assets.

As of June 30, 2011, the Foundation held variable rates and paid fixed interest rate swaps with a total notional amount of $3,335,000. Gains recognized on the interest rate swap of $40,155 have been recognized as a reduction to administration and general expense for the year ended June 30, 2011. The Foundation has recorded the fair value of the interest rate swap agreement, which resulted in a liability of $149,003 at June 30, 2011.

As of June 30, 2010, the Foundation held variable rates and paid fixed interest rate swaps with a total notional amount of $3,455,000. Losses recognized on the interest rate swap of $21,969 have been recognized in administration and general expense for the year ended June 30, 2010. The Foundation has recorded the fair value of the interest rate swap agreement, which resulted in a liability of $189,158 at June 30, 2010.

The interest rate swap is reported on the balance sheet as a liability within accrued liabilities and other.

For the years ended June 30, 2011 and 2010 the amount of gain or loss recognized in the changes in net assets for derivatives not designated as hedging instruments is as follows:

	Amount of Gain (Loss) Recognized in Earnings		Reported in Statement of Activities and Changes in Net Assets as
	2011	2010	
Interest rate swaps	$ (87,959)	$ (90,905)	Interest expense
Change in fair value	40,155	(21,969)	Changes in unrestricted net assets
Net loss	$ (47,804)	$ (112,874)	

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 $1,000,000, with interest at 1.75 percent per annum above the Daily Adjusting LIBOR Rate, an effective rate of 1.94 percent at June 30, 2011. The line of credit expires December 15, 2011. There was no outstanding balance against the line of credit at June 30, 2011 and 2010.

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 $9,601 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
2012		$ 194,909
2013		159,031
2014		136,751
2015		122,468
2016		120,234
Thereafter		345,636
	Total	$ 1,079,029

Antenna rent expense was approximately $112,000 and $111,000 for the years ended June 30, 2011 and 2010, respectively.

Note 8 - Capital Leases

The Foundation has entered into capital leases involving studio and production truck equipment. The future minimum lease payments under capital leases are as follows:

Years Ending June 30		Amount
2012		$ 405,318
2013		262,508
	Total minimum lease payments	667,826
	Less amount representing interest	29,959
	Present value of net minimum lease payments	$ 637,867

Equipment purchased under the capital lease arrangements has been capitalized and is included in property, plant, and equipment (see Note 3). Depreciation of assets under capital leases is included in depreciation expense.

Note 8 - Capital Leases (Continued)

Interest rates on capital leases vary from 5.3730 percent to 8.5001 percent and are imputed based on the lower of the Foundation's incremental borrowing rate at the inception of each lease or the lessor's implicit rate of return.

Note 9 - Pension Costs

The Foundation has a defined contribution retirement plan covering substantially all full-time employees and part-time employees who meet qualification criteria.

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 $146,000 and $139,000 to the two plans during 2011 and 2010, respectively.

Note 10 - 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, 2011 and 2010, the Foundation has accrued approximately $745,000 and $703,000, respectively, in royalties under these agreements.

In 2010, the Foundation investigated its obligation on certain tax matters regarding payments to foreign vendors in prior years and withholding requirements. The Foundation estimated and recorded $430,000 as a potential obligation as of June 30, 2010.

During 2011, the Foundation paid the IRS $243,778. The Internal Revenue Code allows the IRS to assess tax within three years after the return is filed. At June 30, 2011, management believes that no additional tax will be assessed and has reduced its obligation.

Note 11 - 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.

Note 11 - Fair Value Measurements (Continued)

The following tables present information about the Foundation's assets and liabilities measured at fair value on a recurring basis at June 30, 2011 and 2010 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. 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.

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, 2011

	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, 2011
Assets - Investments				
Money market	$ 76,389	$ -	$ -	$ 76,389
Mutual funds - Equity investments	743,396	-	-	743,396
Mutual funds - Fixed-income investments	330,348	-	-	330,348
Mutual funds - Balanced investments	179,625	-	-	179,625
Alternative strategies	-	-	51,144	51,144
Total assets	$ 1,329,758	$ -	$ 51,144	$ 1,380,902
Liabilities - Interest rate swap	$ -	$ 149,003	$ -	$ 149,003

Note 11 - Fair Value Measurements (Continued)

Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2010

	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, 2010
Assets - Investments				
Money market	$ 74,697	$ -	$ -	$ 74,697
Mutual funds - Equity investments	610,731	-	-	610,731
Mutual funds - Fixed-income investments	153,342	-	-	153,342
Mutual funds - Balanced investments	323,510	-	-	323,510
Total assets	$ 1,162,280	$ -	$ -	$ 1,162,280
Liabilities - Interest rate swap	$ -	$ 189,158	$ -	$ 189,158

The fair value of the interest rate swap at June 30, 2011 and 2010 was determined primarily based on Level 2 inputs. The Foundation estimates the fair value of the swap based on market data from a pricing source.

Changes in Level 3 assets measured at fair value on a recurring basis for the year ended June 30, 2011 are as follows:

	Alternative Strategies
Balance at June 30, 2010	$ -
Purchases	55,000
Total unrealized losses	(3,856)
Balance at June 30, 2011	$ 51,144

The fair value of the alternative strategies fund at June 30, 2011 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 table above may include changes in fair value that were attributable to both observable and unobservable inputs.

Note 11 - Fair Value Measurements (Continued)

Of the Level 3 assets held by the Foundation at June 30, 2011, the unrealized loss for the year ended June 30, 2011 was $3,856, which is recognized in the statement of activities and changes in net assets.

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 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

Note 12 - Donor- and Board-restricted Endowments (Continued)

Endowment Net Asset Composition by Type of Fund as of June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 2,515	$ 80,020	$ 82,535

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	$ (9,085)	$ -	$ 80,020	$ 70,935
Net depreciation (realized and unrealized)	9,085	2,515	-	11,600
Total investment return	9,085	2,515	-	11,600
Endowment net assets - End of year	$ -	$ 2,515	$ 80,020	$ 82,535

Endowment Net Asset Composition by Type of Fund as of June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (9,085)	$ -	$ 80,020	$ 70,935

Note 12 - Donor- and Board-restricted Endowments (Continued)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	$ (18,290)	$ -	$ 80,020	$ 61,730
Net depreciation (realized and unrealized)	9,205	-	-	9,205
Total investment return	9,205	-	-	9,205
Endowment net assets - End of year	$ (9,085)	$ -	$ 80,020	$ 70,935

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 that are reported in unrestricted net assets were $9,085 as of June 30, 2010. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the board of trustees. There were no deficiencies reported as of June 30, 2011.

Return Objectives and Risk Parameters

The Foundation has adopted an investment policy 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.

Note 12 - Donor- and Board-restricted Endowments (Continued)

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 Foundation does not have a current spending policy.

Additional Information

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To the Members of the Finance Committee
Detroit Educational Television Foundation

We have audited the financial statements of Detroit Educational Television Foundation as of June 30, 2011 and 2010. 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 23, 2011

Detroit Educational Television Foundation

Balance Sheet by Broadcast Entity
June 30, 2011
(with comparative totals for June 30, 2010)

	WTVS	WRCJ	Totals 2011	Totals 2010
Assets				
Current Assets				
Cash and cash equivalents	$ 2,397,937	$ 1,188,426	$ 3,586,363	$ 2,553,385
Receivables:				
Trade - Net	1,299,039	57,560	1,356,599	1,330,063
Pledges receivable - Net	2,164,048	202,144	2,366,192	2,680,910
Investments	1,380,902	-	1,380,902	1,162,280
Inventory	347,097	-	347,097	296,403
Intercompany receivable	(1,094,723)	1,094,723	-	-
Restricted cash - Bond payments	271,261	-	271,261	250,023
Prepaid assets and other	263,128	10,169	273,297	403,062
Total current assets	7,028,689	2,553,022	9,581,711	8,676,126
Pledges Receivable - Long term	902,299	106,220	1,008,519	2,120,433
Property and Equipment - Net	17,854,502	50,195	17,904,697	18,125,925
Other Assets	164,109	-	164,109	172,746
Total assets	**$ 25,949,599**	**$ 2,709,437**	**$ 28,659,036**	**$ 29,095,230**
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	$ 650,138	$ 12,313	$ 662,451	$ 643,937
Current portion of long-term debt	250,000	-	250,000	240,000
Current portion of capital lease obligation	371,160	-	371,160	489,564
Accrued liabilities and other	1,604,866	43,785	1,648,651	1,977,474
Total current liabilities	2,876,164	56,098	2,932,262	3,350,975
Capital Lease Obligation - Net of current portion	266,707	-	266,707	629,588
Long-term Debt - Net of current portion	6,420,000	-	6,420,000	6,670,000
Total liabilities	9,562,871	56,098	9,618,969	10,650,563
Net Assets				
Unrestricted	15,453,032	2,603,339	18,056,371	17,980,892
Temporarily restricted - Production funding	853,676	50,000	903,676	383,755
Permanently restricted - Endowment	80,020	-	80,020	80,020
Total net assets	16,386,728	2,653,339	19,040,067	18,444,667
Total liabilities and net assets	**$ 25,949,599**	**$ 2,709,437**	**$ 28,659,036**	**$ 29,095,230**

Detroit Educational Television Foundation

Statement of Activities and Changes in Net Assets by Broadcast Entity Years Ended June 30, 2011 (with comparative totals for year ended June 30, 2010)

	WTVS	WRCJ	Totals 2011	Totals 2010
Changes in Unrestricted Net Assets				
Revenue and support:				
Individual contributions	$ 7,656,604	$ 1,249,640	$ 8,906,244	$ 8,055,534
Retail product sales	2,556,292	-	2,556,292	3,147,920
Productions of local and national programs	2,959,220	-	2,959,220	1,979,239
Corporate contributions	713,123	293,512	1,006,635	701,911
Corporation for Public Broadcasting grant	1,547,256	141,538	1,688,794	2,165,750
Foundation contributions	196,750	324,678	521,428	555,639
Special events	303,512	-	303,512	262,000
Facilities rental	883,353	-	883,353	697,898
Capital campaign contributions	188,104	-	188,104	293,761
Net realized and unrealized gain on investments	190,691	-	190,691	129,389
Interest income	3,208	1,274	4,482	6,074
Miscellaneous income	50,923	2,999	53,922	148,641
Total revenue and support	17,249,036	2,013,641	19,262,677	18,143,756
Net assets released from restrictions	905,929	-	905,929	1,282,215
Total revenue, support, and net assets released from restrictions	18,154,965	2,013,641	20,168,606	19,425,971
Expenses:				
Program services:				
Communications	856,502	66,913	923,415	893,734
Production	6,202,975	300	6,203,275	5,869,014
Engineering	1,911,286	-	1,911,286	1,974,764
Broadcast	3,260,511	937,401	4,197,912	3,912,723
Total program service expenses	12,231,274	1,004,614	13,235,888	12,650,235
Support services:				
Administration and general	2,192,543	-	2,192,543	2,098,660
Fundraising	4,255,145	409,551	4,664,696	4,362,273
Total expenses	18,678,962	1,414,165	20,093,127	19,111,168
(Decrease) Increase in Unrestricted Net Assets	(523,997)	599,476	75,479	314,803
Changes in Temporarily Restricted Net Assets				
Contributions	1,375,850	50,000	1,425,850	285,466
Net assets released from restrictions	(905,929)	-	(905,929)	(1,282,215)
Increase (Decrease) in Temporarily Restricted Net Assets	469,921	50,000	519,921	(996,749)
(Decrease) Increase in Net Assets	(54,076)	649,476	595,400	(681,946)
Net Assets - Beginning of year	16,440,804	2,003,863	18,444,667	19,126,613
Net Assets - End of year	**$ 16,386,728**	**$ 2,653,339**	**$ 19,040,067**	**$ 18,444,667**

Detroit Educational Television Foundation

Statement of Functional Expenses
Year Ended June 30, 2011
(with comparative totals for year ended June 30, 2010)

	Program Services					Support Services		Total Expenses	
	Communication	Production	Engineering	Broadcast	Total	Administration	Fundraising	2011	2010
Salaries	$ 278,301	$ 978,642	$ 761,121	$ 878,674	$ 2,896,738	$ 1,121,076	$ 1,031,961	$ 5,049,775	$ 4,652,755
Employee benefits	32,865	173,264	117,840	67,646	391,615	76,496	123,482	591,593	628,309
Payroll taxes	26,461	157,495	64,505	64,517	312,978	69,696	86,878	469,552	419,345
Total salaries and related expenses	337,627	1,309,401	943,466	1,010,837	3,601,331	1,267,268	1,242,321	6,110,920	5,700,409
Product production	-	1,039,335	-	-	1,039,335	-	-	1,039,335	1,405,393
Royalties	-	595,019	-	151,023	746,042	-	-	746,042	1,087,169
Program acquisition	-	-	-	2,274,055	2,274,055	-	-	2,274,055	2,164,983
Program production	-	2,561,632	-	-	2,561,632	-	100,578	2,662,210	1,760,542
Professional services	45,662	237,304	3,160	99,137	385,263	88,749	410,733	884,745	983,031
Donor support	-	23,725	-	-	23,725	-	931,735	955,460	777,507
Direct mail	-	-	-	-	-	-	574,372	574,372	576,052
Heat, power, and light	16,624	28,223	233,495	38,274	316,616	43,687	63,018	423,321	371,983
Advertising and promotion	143,571	25,394	-	-	168,965	-	-	168,965	139,826
Information technology	18,000	11,574	26,535	26,250	82,359	22,692	294,248	399,299	421,617
Outreach and events	-	-	-	-	-	-	160,159	160,159	152,548
Maintenance and repairs	13,524	29,777	88,966	35,742	168,009	35,756	51,267	255,032	247,446
Public Broadcasting Service fees	-	-	-	259,803	259,803	-	-	259,803	260,178
Tower rental	-	-	111,656	-	111,656	-	-	111,656	110,779
Telephone	10,828	18,733	44,112	41,957	115,630	27,388	41,034	184,052	149,728
Interest and bond financing	-	-	-	-	-	238,803	-	238,803	371,126
Program guide	231,581	-	-	-	231,581	-	-	231,581	204,759
Legal	5,184	50,774	21,943	11,936	89,837	13,624	22,440	125,901	68,447
Credit card/bank fees	-	6,346	-	-	6,346	16,547	223,997	246,890	228,161
Equipment	2,538	4,309	18,342	5,843	31,032	6,670	9,621	47,323	67,548
Security	-	-	-	-	-	-	-	-	1,468
Insurance	9,371	15,910	39,665	21,576	86,522	24,627	35,524	146,673	134,743
Postage and shipping	-	53,542	1,372	2,052	56,966	2,821	141,254	201,041	238,385
Travel	-	32,396	2,153	9,949	44,498	29,922	21,224	95,644	194,864
Property tax	1,849	3,139	7,826	4,257	17,071	4,859	7,009	28,939	28,939
Dues, books, and periodicals	-	826	25	2,077	2,928	33,382	1,938	38,248	42,249
Office supplies and printing	1,924	8,054	8,136	7,146	25,260	11,270	7,848	44,378	58,436
Audit	-	-	-	-	-	86,810	-	86,810	62,155
Personnel development	1,136	5,265	4,917	2,613	13,931	10,770	5,974	30,675	20,811
Miscellaneous	-	-	-	-	-	6,165	-	6,165	1,544
Depreciation and amortization	83,996	142,597	355,517	193,385	775,495	220,733	318,402	1,314,630	1,078,342
Total functional expenses	**$ 923,415**	**$ 6,203,275**	**$ 1,911,286**	**$ 4,197,912**	**$ 13,235,888**	**$ 2,192,543**	**$ 4,664,696**	**$ 20,093,127**	**$ 19,111,168**