

Detroit Educational Television Foundation

**Financial Report
with Additional Information
June 30, 2010**

Detroit Educational Television Foundation

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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 (the "Foundation") as of June 30, 2010 and 2009 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, 2010 and 2009 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

October 25, 2010

Detroit Educational Television Foundation

Balance Sheet

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,553,385	\$ 3,354,111
Receivables:		
Trade - Net	1,330,063	700,057
Pledges receivable - Net (Note 2)	2,680,910	3,686,788
Investments	1,162,280	995,364
Inventory	296,403	401,921
Restricted cash - Bond payments (Note 4)	250,023	245,009
Prepaid assets and other	403,062	358,492
	<hr/>	<hr/>
Total current assets	8,676,126	9,741,742
Pledges Receivable - Long term (Note 2)	2,120,433	3,752,681
Property and Equipment - Net (Note 3)	18,125,925	15,670,345
Other Assets	172,746	181,384
	<hr/>	<hr/>
Total assets	\$ 29,095,230	\$ 29,346,152
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 643,937	\$ 1,402,712
Current portion of long-term debt (Note 4)	240,000	235,000
Current portion of capital lease obligation (Note 8)	489,564	112,297
Accrued liabilities and other (Note 10)	1,977,474	1,495,118
	<hr/>	<hr/>
Total current liabilities	3,350,975	3,245,127
Capital Lease Obligation - Net of current portion (Note 8)	629,588	64,412
Long-term Debt - Net of current portion (Note 4)	6,670,000	6,910,000
	<hr/>	<hr/>
Total liabilities	10,650,563	10,219,539
Net Assets		
Unrestricted	17,980,892	17,666,089
Temporarily restricted - Production funding, children's programming, and other	383,755	1,380,504
Permanently restricted - Endowment	80,020	80,020
	<hr/>	<hr/>
Total net assets	18,444,667	19,126,613
	<hr/>	<hr/>
Total liabilities and net assets	\$ 29,095,230	\$ 29,346,152

Detroit Educational Television Foundation

Statement of Activities and Changes in Net Assets

	Year Ended	
	June 30, 2010	June 30, 2009
Changes in Unrestricted Net Assets		
Revenue and support:		
Individual contributions	\$ 8,055,534	\$ 6,995,559
Retail product sales	3,147,920	3,141,708
Productions of local and national programs	1,979,239	2,635,962
Corporate contributions	701,911	184,860
Corporation for Public Broadcasting grant	2,165,750	1,651,578
Foundation contributions	555,639	242,500
Special events	262,000	335,714
Facilities rental	697,898	470,476
Capital campaign contributions	293,761	6,807,392
Net realized and unrealized gains (losses) on investments	129,389	(227,510)
Interest income	6,074	11,278
Miscellaneous income	148,641	12,326
Total revenue and support	18,143,756	22,261,843
Net assets released from restrictions	1,282,215	371,204
Total revenue, support, and net assets released from restrictions	19,425,971	22,633,047
Expenses:		
Program services:		
Communications	893,734	794,352
Production	5,869,014	4,897,875
Engineering	1,974,764	3,061,790
Broadcast	3,912,723	4,562,905
Total program services	12,650,235	13,316,922
Support services:		
Administration and general	2,098,660	2,199,293
Fundraising	4,362,273	4,789,170
Total expenses	19,111,168	20,305,385
Increase in Unrestricted Net Assets	314,803	2,327,662
Changes in Temporarily Restricted Net Assets		
Contributions	285,466	1,207,921
Net assets released from restrictions	(1,282,215)	(371,204)
(Decrease) Increase in Temporarily Restricted Net Assets	(996,749)	836,717
Increase in Permanently Restricted Net Assets - Contributions	-	20
(Decrease) Increase in Net Assets	(681,946)	3,164,399
Net Assets - Beginning of year	19,126,613	15,962,214
Net Assets - End of year	\$ 18,444,667	\$ 19,126,613

Detroit Educational Television Foundation

Statement of Cash Flows

	Year Ended	
	June 30, 2010	June 30, 2009
Cash Flows from Operating Activities		
(Decrease) increase in net assets	\$ (681,946)	\$ 3,164,399
Adjustments to reconcile (decrease) increase in net assets to net cash from operating activities:		
Depreciation and amortization	1,078,342	775,586
Loss on sale of property and equipment	-	104,765
Net realized and unrealized (gains) losses on investments	(129,389)	227,510
Change in value of interest rate swap	(21,969)	(167,189)
Change in pledge discount	128,115	36,132
Changes in operating assets and liabilities that (used) provided cash:		
Accounts receivable	(630,006)	505,313
Inventory	105,518	58,516
Pledges receivable	2,510,011	(2,101,358)
Prepaid assets and other	(44,570)	(64,896)
Accounts payable, trade, and other	(758,775)	192,336
Accrued liabilities and other	504,325	412,718
Net cash provided by operating activities	2,059,656	3,143,832
Cash Flows from Investing Activities		
Purchase of property and equipment	(2,352,584)	(2,240,184)
Proceeds from disposition of property and equipment	-	413,209
Purchases of investments	(235,201)	(19,616)
Proceeds from sales and maturities of investments	197,674	19,616
Net cash used in investing activities	(2,390,111)	(1,826,975)
Cash Flows from Financing Activities - Payments on debt	(465,257)	(225,000)
Net (Decrease) Increase in Cash and Cash Equivalents	(795,712)	1,091,857
Cash and Cash Equivalents - Beginning of year	3,599,120	2,507,263
Cash and Cash Equivalents - End of year	<u>\$ 2,803,408</u>	<u>\$ 3,599,120</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 162,543	\$ 193,085
Equipment obtained via capital lease	1,172,700	176,709
Cash and Cash Equivalents are Comprised of the Following		
Unrestricted	\$ 2,553,385	\$ 3,354,111
Restricted	250,023	245,009
Total	<u>\$ 2,803,408</u>	<u>\$ 3,599,120</u>

Detroit Educational Television Foundation

Notes to Financial Statements June 30, 2010 and 2009

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 \$384,000 and \$1,381,000 at June 30, 2010 and 2009, respectively. Changes in temporarily restricted net assets include contributions of \$285,466 and \$1,207,921 restricted for production funding at June 30, 2010 and 2009, 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, 2010 and 2009

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 Foundation has investments in mutual funds at June 30, 2010 and 2009. Investments are recorded at fair value based on quoted market prices.

Accounts Receivable - Accounts receivable consist of trade receivables and receivables from EI Entertainment LLC (EI) 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, 2010 and 2009, trade accounts receivable were approximately \$930,000 and \$311,000, respectively, net of an allowance for doubtful accounts of approximately \$76,000 and \$82,000, respectively.

The Foundation entered into an agreement until January 2012 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. 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. At June 30, 2010 and 2009, accounts receivable from EI totaled approximately \$401,000 and \$389,000, respectively, net of an allowance for returned merchandise of \$110,000 and \$135,000, 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.

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

Notes to Financial Statements June 30, 2010 and 2009

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

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.

Reclassification - Certain reclassifications were made to amounts in the 2009 financial statements to conform to the classifications used in 2010. These reclassifications involved correcting certain accounts between revenue line items. The reclassification has no impact on the reported change in net assets or cash flows for 2009.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including October 25, 2010, which is the date the financial statements were available to be issued.

Detroit Educational Television Foundation

Notes to Financial Statements June 30, 2010 and 2009

Note 2 - Pledges Receivable

Pledges receivable represent amounts pledged from donors. Pledges receivable consist of the following as of June 30, 2010 and 2009:

	2010	2009
Pledges receivable	\$ 5,466,279	\$ 8,322,946
Less unamortized discount	(99,455)	(227,570)
Less allowance for uncollectible pledges	(565,481)	(655,907)
Net pledges receivable	<u>\$ 4,801,343</u>	<u>\$ 7,439,469</u>
Amounts due in:		
Less than one year	\$ 3,246,391	\$ 4,342,695
One to five years	2,219,888	3,980,251
Gross payments on pledges receivable	<u>\$ 5,466,279</u>	<u>\$ 8,322,946</u>

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, 2010 and 2009 are as follows:

	2010	2009	Depreciable Life - Years
Land	\$ 2,539,173	\$ 2,539,173	-
Land improvements	69,111	59,871	10-15
Buildings and building improvements	11,535,224	9,815,395	7-40
Broadcast and production equipment	5,626,470	4,724,938	2-10
Office equipment	1,329,695	901,453	3-5
Capital lease equipment	1,403,062	176,709	5-20
Construction in progress	232,144	998,596	-
Total cost	<u>22,734,879</u>	<u>19,216,135</u>	
Accumulated depreciation	<u>4,608,954</u>	<u>3,545,790</u>	
Net carrying amount	<u>\$ 18,125,925</u>	<u>\$ 15,670,345</u>	

Depreciation expense was \$1,069,705 for 2010 and \$766,949 for 2009.

Detroit Educational Television Foundation

Notes to Financial Statements June 30, 2010 and 2009

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 (0.33 percent at June 30, 2010), 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, 2010 and 2009, the balance of the escrow account was \$250,023 and \$245,009, 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. 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.

Minimum principal payments on the bonds payable to maturity as of June 30, 2010 are as follows:

Years Ending June 30	Amount
2011	\$ 240,000
2012	250,000
2013	255,000
2014	265,000
2015	270,000
2016 and thereafter	5,630,000
Total	<u>\$ 6,910,000</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, 2010 and 2009 was \$148,803 and \$173,345, respectively.

Detroit Educational Television Foundation

Notes to Financial Statements June 30, 2010 and 2009

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 \$3,455,000 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 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, 2010 and 2009 was \$189,158 and \$167,189, 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.

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, 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.

As of June 30, 2009, the Foundation held variable rates and paid fixed interest rate swaps with a total notional amount of \$3,572,500. Losses recognized on the interest rate swap of \$167,189 have been recognized in administration and general expense for the year ended June 30, 2009. The Foundation has recorded the fair value of the interest rate swap agreement, which resulted in a liability of \$167,189 at June 30, 2009.

The interest rate swap is reported on the balance sheet as a liability.

Detroit Educational Television Foundation

Notes to Financial Statements June 30, 2010 and 2009

Note 5 - Derivative Financial Instruments (Continued)

For the year ended June 30, 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
	2010	2009	
Interest rate swaps	\$ 90,905	\$ 62,220	Interest expense
Change in fair value	(21,969)	(167,189)	Changes in unrestricted net assets
Total gain (loss)	<u>\$ 68,936</u>	<u>\$ (104,969)</u>	

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 \$500,000, with interest at 1 percent per annum above the CB floating rate, an effective rate of 4.25 percent at June 30, 2010. The line of credit expires December 31, 2010. There were no borrowings under this line of credit during the years ended June 30, 2010 and 2009.

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 \$249 to \$9,207 with various expiration dates through 2019. 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
2011	\$ 176,992
2012	150,384
2013	113,301
2014	110,492
2015	110,492
Thereafter	<u>441,970</u>
Total	<u>\$ 1,103,631</u>

Detroit Educational Television Foundation

Notes to Financial Statements June 30, 2010 and 2009

Note 7 - Operating Leases (Continued)

Antenna rent expense was approximately \$111,000 and \$203,000 for the years ended June 30, 2010 and 2009, 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
2011	\$ 525,196
2012	405,237
2013	262,516
Total minimum lease payments	1,192,949
Less amount representing interest	73,797
Present value of net minimum lease payments	<u>\$ 1,119,152</u>

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.

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. 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. As of July 1, 2009, it was increased back to 10 percent for certain union employees.

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 \$139,000 and \$353,000 to the two plans during 2010 and 2009, respectively.

Detroit Educational Television Foundation

Notes to Financial Statements June 30, 2010 and 2009

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, 2010 and 2009, the Foundation has accrued approximately \$703,000 and \$662,000, respectively, in royalties under these agreements.

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

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.

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

Detroit Educational Television Foundation

Notes to Financial Statements June 30, 2010 and 2009

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	<u>\$ 1,162,280</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,162,280</u>
Liabilities - Interest rate swap	<u>\$ -</u>	<u>\$ 189,158</u>	<u>\$ -</u>	<u>\$ 189,158</u>

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)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2009
Assets - Investments				
Mutual funds - Equity investments	\$ 592,266	\$ -	\$ -	\$ 592,266
Mutual funds - Fixed-income investments	110,319	-	-	110,319
Mutual funds - Balanced investments	292,779	-	-	292,779
Total assets	<u>\$ 995,364</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 995,364</u>
Liabilities - Interest rate swap	<u>\$ -</u>	<u>\$ 167,189</u>	<u>\$ -</u>	<u>\$ 167,189</u>

The fair value of interest rate swap at June 30, 2010 and 2009 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.

Detroit Educational Television Foundation

Notes to Financial Statements June 30, 2010 and 2009

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

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

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

Detroit Educational Television Foundation

Notes to Financial Statements June 30, 2010 and 2009

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	<u>\$ (9,085)</u>	<u>\$ -</u>	<u>\$ 80,020</u>	<u>\$ 70,935</u>

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	<u>\$ (18,290)</u>	<u>\$ -</u>	<u>\$ 80,020</u>	<u>\$ 61,730</u>

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
Net depreciation (realized and unrealized)	(18,290)	-	-	(18,290)
Total investment return	(18,290)	-	-	(18,290)
Contributions	-	-	20	20
Endowment net assets -				
End of year	<u>\$ (18,290)</u>	<u>\$ -</u>	<u>\$ 80,020</u>	<u>\$ 61,730</u>

Detroit Educational Television Foundation

Notes to Financial Statements June 30, 2010 and 2009

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

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 and \$18,290 as of June 30, 2010 and 2009, respectively. 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.

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.

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 Board of Directors
Detroit Educational Television Foundation

We have audited the financial statements of Detroit Educational Television Foundation as of June 30, 2010 and 2009. 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

October 25, 2010

Detroit Educational Television Foundation

Balance Sheet by Broadcast Entity June 30, 2010 (with comparative totals for June 30, 2009)

	WTVS	WRCJ	Totals	
			2010	2009
Assets				
Current Assets				
Cash and cash equivalents	\$ 1,949,984	\$ 603,401	\$ 2,553,385	\$ 3,354,111
Receivables:				
Trade - Net	1,279,888	50,175	1,330,063	700,057
Pledges receivable - Net	2,600,769	80,141	2,680,910	3,686,788
Investments	1,162,280	-	1,162,280	995,364
Inventory	296,403	-	296,403	401,921
Intercompany receivable	(1,243,156)	1,243,156	-	-
Restricted cash - Bond payments	250,023	-	250,023	245,009
Prepaid assets and other	396,116	6,946	403,062	358,492
Total current assets	6,692,307	1,983,819	8,676,126	9,741,742
Pledges Receivable - Long term	2,091,023	29,410	2,120,433	3,752,681
Property and Equipment - Net	18,063,146	62,779	18,125,925	15,670,345
Other Assets	172,746	-	172,746	181,384
Total assets	<u>\$ 27,019,222</u>	<u>\$ 2,076,008</u>	<u>\$ 29,095,230</u>	<u>\$ 29,346,152</u>
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	\$ 616,711	\$ 27,226	\$ 643,937	\$ 1,402,712
Current portion of long-term debt	240,000	-	240,000	235,000
Current portion of capital lease obligation	489,564	-	489,564	112,297
Accrued liabilities and other	1,932,556	44,918	1,977,474	1,495,118
Total current liabilities	3,278,831	72,144	3,350,975	3,245,127
Capital Lease Obligation - Net of current portion	629,588	-	629,588	64,412
Long-term Debt - Net of current portion	6,670,000	-	6,670,000	6,910,000
Total liabilities	10,578,419	72,144	10,650,563	10,219,539
Net Assets				
Unrestricted	15,977,028	2,003,864	17,980,892	17,666,089
Temporarily restricted - Production funding, children's programming, and other	383,755	-	383,755	1,380,504
Permanently restricted - Endowment	80,020	-	80,020	80,020
Total net assets	16,440,803	2,003,864	18,444,667	19,126,613
Total liabilities and net assets	<u>\$ 27,019,222</u>	<u>\$ 2,076,008</u>	<u>\$ 29,095,230</u>	<u>\$ 29,346,152</u>

Detroit Educational Television Foundation

Statement of Activities and Changes in Net Assets by Broadcast Entity Years Ended June 30, 2010 (with comparative totals for year ended June 30, 2009)

	WTVS	WRCJ	Totals	
			2010	2009
Changes in Unrestricted Net Assets				
Revenue and support:				
Individual contributions	\$ 6,971,504	\$ 1,084,030	\$ 8,055,534	\$ 6,995,559
Retail product sales	3,147,920	-	3,147,920	3,141,708
Productions of local and national programs	1,979,239	-	1,979,239	2,635,962
Corporate contributions	443,949	257,962	701,911	184,860
Corporation for Public Broadcasting grant	1,993,682	172,068	2,165,750	1,651,578
Foundation contributions	300,639	255,000	555,639	242,500
Special events	262,000	-	262,000	335,714
Facilities rental	697,898	-	697,898	470,476
Capital campaign contributions	293,761	-	293,761	6,807,392
Net realized and unrealized loss (gain) on investments	129,389	-	129,389	(227,510)
Interest income	5,021	1,053	6,074	11,278
Miscellaneous income	148,194	447	148,641	12,326
Total revenue and support	16,373,196	1,770,560	18,143,756	22,261,843
Net assets released from restrictions	1,282,215	-	1,282,215	371,204
Total revenue, support, and net assets released from restrictions	17,655,411	1,770,560	19,425,971	22,633,047
Expenses:				
Program services:				
Communications	837,589	56,145	893,734	794,352
Production	5,834,924	34,090	5,869,014	4,897,875
Engineering	1,867,309	107,455	1,974,764	3,061,790
Broadcast	3,253,539	659,184	3,912,723	4,562,905
Total program service expenses	11,793,361	856,874	12,650,235	13,316,922
Support services:				
Administration and general	1,934,964	163,696	2,098,660	2,199,293
Fundraising	3,981,244	381,029	4,362,273	4,789,170
Total expenses	17,709,569	1,401,599	19,111,168	20,305,385
(Decrease) Increase in Unrestricted Net Assets	(54,158)	368,961	314,803	2,327,662
Changes in Temporarily Restricted Net Assets				
Contributions	285,466	-	285,466	1,207,921
Net assets released from restrictions	(1,282,215)	-	(1,282,215)	(371,204)
(Decrease) Increase in Temporarily Restricted Net Assets	(996,749)	-	(996,749)	836,717
Increase in Permanently Restricted Net Assets - Contributions	-	-	-	20
(Decrease) Increase in Net Assets	(1,050,907)	368,961	(681,946)	3,164,399
Net Assets - Beginning of year	17,491,711	1,634,902	19,126,613	15,962,214
Net Assets - End of year	\$ 16,440,804	\$ 2,003,863	\$ 18,444,667	\$ 19,126,613

Detroit Educational Television Foundation

Statement of Functional Expenses Year Ended June 30, 2010 (with comparative totals for year ended June 30, 2009)

	Program Services					Support Services		Total Expenses	
	Communication	Production	Engineering	Broadcast	Total	Administration	Fundraising	2010	2009
Salaries	\$ 211,327	\$ 863,763	\$ 839,591	\$ 767,608	\$ 2,682,289	\$ 1,019,153	\$ 951,313	\$ 4,652,755	\$ 5,578,410
Employee benefits	26,400	146,796	149,746	77,399	400,341	96,776	131,192	628,309	910,170
Payroll taxes	20,498	126,324	70,643	68,017	285,482	54,364	79,499	419,345	424,923
Total salaries and related expenses	258,225	1,136,883	1,059,980	913,024	3,368,112	1,170,293	1,162,004	5,700,409	6,913,503
Product production	-	1,405,393	-	-	1,405,393	-	-	1,405,393	1,450,888
Royalties	-	940,787	-	146,382	1,087,169	-	-	1,087,169	994,317
Program acquisition	-	-	-	2,164,983	2,164,983	-	-	2,164,983	2,222,627
Program production	22,352	1,707,978	-	-	1,730,330	-	30,212	1,760,542	1,213,029
Professional services	103,722	236,023	4,716	65,599	410,060	89,820	483,151	983,031	1,371,475
Donor support	-	-	-	-	-	-	777,507	777,507	547,847
Direct mail	-	-	-	-	-	-	576,052	576,052	686,069
Heat, power, and light	15,797	22,042	198,859	39,033	275,731	38,574	57,678	371,983	554,349
Advertising and promotion	134,334	2,746	-	-	137,080	-	2,746	139,826	158,738
Information technology	5,302	8,388	23,429	24,190	61,309	20,458	339,850	421,617	453,132
Outreach and events	15,928	-	-	-	15,928	-	136,620	152,548	170,189
Maintenance and repairs	10,141	15,383	132,978	27,157	185,659	24,762	37,025	247,446	201,662
Public Broadcasting Service fees	-	-	-	260,178	260,178	-	-	260,178	260,178
Tower rental	-	-	110,779	-	110,779	-	-	110,779	202,715
Telephone	8,239	12,950	43,587	35,699	100,475	19,127	30,126	149,728	171,622
Interest and bond financing	-	-	-	-	-	371,126	-	371,126	512,366
Program guide	204,759	-	-	-	204,759	-	-	204,759	200,020
Legal	3,503	17,010	15,479	8,656	44,648	10,251	13,548	68,447	89,956
Credit card/bank fees	-	6,932	-	-	6,932	14,518	206,711	228,161	232,829
Equipment	2,583	23,829	19,014	6,383	51,809	6,308	9,431	67,548	101,352
Security	-	-	-	1,468	1,468	-	-	1,468	102,076
Insurance	8,762	12,226	38,716	21,651	81,355	21,396	31,992	134,743	175,212
Postage and shipping	1,327	93,717	740	2,089	97,873	6,033	134,479	238,385	166,825
Travel	5,494	111,079	3,278	8,638	128,489	16,649	49,726	194,864	174,413
Property tax	1,882	2,626	8,315	4,650	17,473	4,595	6,871	28,939	23,792
Dues, books, and periodicals	1,672	377	135	4,022	6,206	34,859	1,184	42,249	32,212
Office supplies and printing	18,784	10,394	1,208	3,664	34,050	8,411	15,975	58,436	66,117
Audit	-	-	-	-	-	62,155	-	62,155	54,021
Personnel development	805	2,956	3,707	1,988	9,456	8,000	3,355	20,811	20,392
Miscellaneous	-	1,449	-	-	1,449	95	-	1,544	5,876
Depreciation and amortization	70,123	97,846	309,844	173,269	651,082	171,230	256,030	1,078,342	775,586
Total functional expenses	<u>\$ 893,734</u>	<u>\$ 5,869,014</u>	<u>\$ 1,974,764</u>	<u>\$ 3,912,723</u>	<u>\$ 12,650,235</u>	<u>\$ 2,098,660</u>	<u>\$ 4,362,273</u>	<u>\$ 19,111,168</u>	<u>\$ 20,305,385</u>