Detroit Educational Television Foundation

Financial Report
with Additional Information
June 30, 2012

Contents

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Independent Auditor's Report

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

We have audited the accompanying balance sheet of Detroit Educational Television Foundation (the "Foundation") as of June 30, 2012 and 2011 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, 2012 and 2011 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 21, 2012

Detroit Educational Television Foundation

Balance Sheet

	June 30, 2012	June 30, 2011
Assets		
Current Assets		
Cash and cash equivalents	$ 4,129,985	$ 3,586,363
Receivables:		
Trade - Net	1,309,779	1,356,599
Pledges receivable - Net (Note 2)	1,809,785	2,366,192
Investments	1,500,428	1,380,902
Inventory	250,338	347,097
Restricted cash - Bond payments (Note 5)	270,863	271,261
Prepaid assets and other	285,335	273,297
Total current assets	9,556,513	9,581,711
Pledges Receivable - Long term (Note 2)	244,115	1,008,519
Property and Equipment - Net (Note 3)	17,141,300	17,904,697
Other Assets	155,472	164,109
Total assets	**$ 27,097,400**	**$ 28,659,036**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 664,307	$ 662,451
Current portion of long-term debt (Note 5)	255,000	250,000
Current portion of capital lease obligation (Note 9)	257,297	371,160
Accrued liabilities and other (Note 11)	1,980,760	1,648,651
Total current liabilities	3,157,364	2,932,262
Capital Lease Obligation - Net of current portion (Note 9)	-	266,707
Long-term Debt - Net of current portion (Note 5)	5,665,000	6,420,000
Total liabilities	8,822,364	9,618,969
Net Assets		
Unrestricted	17,668,598	18,056,371
Temporarily restricted - Production funding	526,418	903,676
Permanently restricted - Endowment	80,020	80,020
Total net assets	18,275,036	19,040,067
Total liabilities and net assets	**$ 27,097,400**	**$ 28,659,036**

Detroit Educational Television Foundation

Statement of Activities and Changes in Net Assets

	Year Ended June 30, 2012	Year Ended June 30, 2011
Changes in Unrestricted Net Assets		
Revenue and support:		
Individual contributions	$ 8,980,192	$ 8,906,244
Retail product sales	2,604,525	2,556,292
Productions of local and national programs	2,796,212	2,959,220
Corporate contributions	1,082,669	1,006,635
Corporation for Public Broadcasting grant	2,009,314	1,688,794
Foundation contributions	361,854	521,428
Special events	347,677	303,512
Facilities rental	816,722	883,353
Capital campaign contributions	149,193	188,104
Net realized and unrealized (losses) gains on investments	(40,752)	190,691
Interest income	688	4,482
Miscellaneous income	93,430	53,922
Total revenue and support	19,201,724	19,262,677
Net assets released from restrictions	839,820	905,929
Total revenue, support, and net assets released from restrictions	20,041,544	20,168,606
Expenses:		
Program services:		
Communications	862,199	923,415
Production	6,957,311	6,203,275
Engineering	1,943,689	1,911,286
Broadcast	4,109,221	4,197,912
Total program services	13,872,420	13,235,888
Support services:		
Administration and general	2,009,773	2,192,543
Fundraising	4,547,124	4,664,696
Total expenses	20,429,317	20,093,127
(Decrease) Increase in Unrestricted Net Assets	(387,773)	75,479
Changes in Temporarily Restricted Net Assets		
Contributions	462,562	1,425,850
Net assets released from restrictions	(839,820)	(905,929)
(Decrease) Increase in Temporarily Restricted Net Assets	(377,258)	519,921
(Decrease) Increase in Net Assets	(765,031)	595,400
Net Assets - Beginning of year	19,040,067	18,444,667
Net Assets - End of year	**$ 18,275,036**	**$ 19,040,067**

See Notes to Financial Statements.

Detroit Educational Television Foundation

Statement of Cash Flows

	Year Ended June 30, 2012	Year Ended June 30, 2011
Cash Flows from Operating Activities		
(Decrease) increase in net assets	$ (765,031)	$ 595,400
Adjustments to reconcile (decrease) increase in net assets to net cash from operating activities:		
Depreciation and amortization	1,341,974	1,314,630
Loss on sale of property and equipment	1,256	-
Net realized and unrealized losses (gains) on investments	40,752	(190,691)
Change in value of interest rate swap	69,541	40,155
Change in pledge discount	30,672	58,681
Changes in operating assets and liabilities that provided (used) cash:		
Accounts receivable	46,820	(26,536)
Inventory	96,759	(50,694)
Pledges receivable	1,290,139	1,367,951
Prepaid assets and other	(12,038)	129,764
Accounts payable	1,856	18,514
Accrued liabilities and other	262,568	(368,978)
Net cash provided by operating activities	2,405,268	2,888,196
Cash Flows from Investing Activities		
Purchase of property and equipment	(571,196)	(1,069,928)
Proceeds from disposition of property and equipment	-	(14,836)
Purchases of investments	(915,254)	(633,482)
Proceeds from sales and maturities of investments	754,976	605,551
Net cash used in investing activities	(731,474)	(1,112,695)
Cash Flows from Financing Activities - Payments on debt	(1,130,570)	(721,285)
Net Increase in Cash and Cash Equivalents	543,224	1,054,216
Cash and Cash Equivalents - Beginning of year	3,857,624	2,803,408
Cash and Cash Equivalents - End of year	**$ 4,400,848**	**$ 3,857,624**
Supplemental Disclosure of Cash Flow Information - Cash paid for interest	**$ 120,017**	**$ 163,237**
Cash and Cash Equivalents are Comprised of the Following		
Unrestricted	$ 4,129,985	$ 3,586,363
Restricted	270,863	271,261
Total	**$ 4,400,848**	**$ 3,857,624**

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 $526,000 and $904,000 at June 30, 2012 and 2011, respectively. Changes in temporarily restricted net assets include contributions of $462,562 and $1,425,850 restricted for production funding during the years ended June 30, 2012 and 2011, 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, 2012 and 2011. 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 Entertainment One U.S. LP (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, 2012 and 2011, trade accounts receivable were approximately $866,000 and $938,000, respectively, net of an allowance for doubtful accounts of approximately $6,000 and $35,000, respectively.

The Foundation entered into an agreement until January 2014 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, 2012 and 2011, accounts receivable from E1 totaled approximately $443,000 and $419,000, respectively, net of an allowance for returned merchandise of $71,000 and $53,000, 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, facilities rental, and productions of local and national programs is recognized when earned.

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 2011 financial statements to conform to the classifications used in 2012.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including September 21, 2012, which is the date the financial statements were 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 Foundation and recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Foundation and has concluded that as of June 30, 2012 and 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. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2009.

Note 2 - Pledges Receivable

Pledges receivable represent amounts pledged from donors. Pledges receivable consist of the following as of June 30, 2012 and 2011:

	2012	2011
Pledges receivable	$ 2,561,238	$ 3,944,981
Less unamortized discount	(10,102)	(40,774)
Less allowance for uncollectible pledges	(497,236)	(529,496)
Net pledges receivable	$ 2,053,900	$ 3,374,711
Amounts due in:		
Less than one year	$ 2,307,021	$ 2,895,688
One to five years	254,217	1,049,293
Gross payments on pledges receivable	$ 2,561,238	$ 3,944,981

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, 2012 and 2011 are as follows:

	2012	2011	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	12,007,547	7-40
Broadcast and production equipment	7,734,938	6,938,759	2-10
Office equipment	861,634	836,078	3-5
Capital lease equipment	1,143,184	1,402,921	5-20
Total cost	24,355,587	23,793,589	
Accumulated depreciation	7,214,287	5,888,892	
Net carrying amount	$ 17,141,300	$ 17,904,697	

Depreciation expense was $1,333,337 for 2012 and $1,305,992 for 2011.

Note 4 - Gift Annuity

In 2012, the Foundation received cash as the result of certain gift annuities. Under the terms of the contracts, the Foundation received cash of $65,000 at the time of the donations during the year ended June 30, 2012. The Foundation is required to pay the designated beneficiaries quarterly interest payments during their lifetimes. The present value of the estimated future payments to donors, using a discount rate of 3 percent, has been included within the "accrued liabilities and other" line of the balance sheet. The Foundation recorded $28,041 of temporarily restricted contribution revenue for the year ended June 30, 2012, the difference between the assets received and the liability recorded at the time of the donation.

Note 5 - Long-term Debt

Bonds payable consist of the following:

Michigan Strategic Fund Variable Rate Demand Limited Obligation Revenue Bonds Series 2005, in the amount of $10,370,000, have an original maturity date of June 1, 2035. The bonds bear interest at a variable rate determined weekly (.19 percent at June 30, 2012), 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, 2012 and 2011, the balance of the escrow account was $770,863 and $771,261, respectively. Of the escrow account balance at June 30, 2012 and 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. Failure to maintain a letter of credit causes the bond to become due on demand. 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, 2012 are as follows:

Years Ending June 30	Amount
2013	$ 255,000
2014	265,000
2015	270,000
2016	280,000
2017	285,000
2018 and thereafter	4,565,000
Total	$ 5,920,000

In addition to the scheduled maturity principal payments, the Foundation paid down an additional $500,000 of principal subsequent to year end in both 2012 and 2011.

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.

Note 5 - Long-term Debt (Continued)

Interest expense for the years ended June 30, 2012 and 2011 was $118,993 and $154,159, 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 $3,210,000 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, 2012 and 2011 was $79,462 and $149,003, respectively. This is included within the "accrued liabilities and other" line on the balance sheet.

Note 6 - 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, 2012, the Foundation held variable rates and paid fixed interest rate swaps with a total notional amount of $3,210,000. Gains recognized on the interest rate swap of $69,541 have been recognized as a reduction to administration and general expense for the year ended June 30, 2012. The Foundation has recorded the fair value of the interest rate swap agreement, which resulted in a liability of $79,462 at June 30, 2012.

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. Losses recognized on the interest rate swap of $40,155 have been recognized in 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.

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

Note 6 - Derivative Financial Instruments (Continued)

For the years ended June 30, 2012 and 2011, 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 (Loss) Gain Recognized in Earnings		Reported in Statement of Activities and Changes in Net Assets as
	2012	2011	
Interest rate swaps	$ (84,833)	$ (87,959)	Interest expense
Change in fair value	69,541	40,155	Changes in unrestricted net assets
Net loss	$ (15,292)	$ (47,804)	

Note 7 - Line of Credit

The Foundation has available an unsecured line of credit, payable upon demand, which allows the Foundation to borrow up to $1,500,000, with interest at 1.75 percent per annum above the daily adjusting LIBOR, an effective rate of 1.92 percent at June 30, 2012. The line of credit expires on November 13, 2012. There was no outstanding balance against the line of credit at June 30, 2012 and 2011.

Note 8 - 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 $9,636 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
2013		$ 174,677
2014		154,641
2015		133,804
2016		125,389
2017		125,244
Thereafter		235,453
	Total	$ 949,208

Note 8 - Operating Leases (Continued)

Antenna rent expense was approximately $116,000 and $112,000 for the years ended June 30, 2012 and 2011, respectively.

Note 9 - 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
2013		$ 262,508
	Less amount representing interest	5,211
	Present value of net minimum lease payments	$ 257,297

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 10 - 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 $115,000 and $146,000 to the two plans during 2012 and 2011, respectively.

Note 11 - 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, 2012 and 2011, the Foundation has accrued approximately $752,000 and $745,000, respectively, in royalties under these agreements.

Note 12 - 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, 2012 and 2011 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 assets and liabilities. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

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.

Note 12 - Fair Value Measurements (Continued)

Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2012

	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, 2012
Assets - Investments				
Money market	$ 70,745	$ -	$ -	$ 70,745
Mutual funds - Equity investments	760,573	-	-	760,573
Mutual funds - Fixed-income investments	441,124	-	-	441,124
Mutual funds - Balanced investments	138,304	-	-	138,304
Alternative strategies	-	-	89,682	89,682
Total assets	$ 1,410,746	$ -	$ 89,682	$ 1,500,428
Liabilities - Interest rate swap	$ -	$ 79,462	$ -	$ 79,462

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

The Foundation's policy is to recognize transfers in and transfers out of Level 1, 2, and 3 fair value classifications as of the actual date of the event of change in circumstances that caused the transfer. During the year ended June 30, 2012, there were no transfers between Level 1, 2, or 3.

Note 12 - Fair Value Measurements (Continued)

The fair value of the interest rate swap at June 30, 2012 and 2011 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 years ended June 30, 2012 and 2011 are as follows:

	Alternative Strategies
Balance at June 30, 2011	$ 51,144
Purchases	45,383
Sales	(5,620)
Total unrealized losses	(1,225)
Balance at June 30, 2012	$ 89,682

	Alternative Strategies
Balance at July 1, 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, 2012 and 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.

Of the Level 3 assets held by the Foundation at June 30, 2012 and 2011, the unrealized losses for the years then ended were $1,225 and $3,856, respectively, which is recognized in the statement of activities and changes in net assets.

Note 13 - Donor- and Board-restricted Endowments

The Foundation is in the process of developing a spending policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds.

Interpretation of Relevant Law

The board of trustees of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Foundation and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Foundation
(7) The investment policies of the Foundation

Endowment Net Asset Composition by Type of Fund as of June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 215	$ 80,020	$ 80,235

Note 13 - Donor- and Board-restricted Endowments (Continued)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	$ -	$ 2,515	$ 80,020	$ 82,535
Net depreciation (realized and unrealized)	-	(2,300)	-	(2,300)
Endowment net assets - End of year	$ -	$ 215	$ 80,020	$ 80,235

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 appreciation (realized and unrealized)	9,085	2,515	-	11,600
Endowment net assets - End of year	$ -	$ 2,515	$ 80,020	$ 82,535

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 13 - 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.

Additional Information

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Independent Auditor's Report on Additional Information

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

We have audited the financial statements of Detroit Educational Television Foundation as of and for the years ended June 30, 2012 and 2011. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The balance sheet by broadcast entity, statement of activities and changes in net assets by broadcast entity, and statement of functional expenses are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

September 21, 2012

Detroit Educational Television Foundation

Balance Sheet by Broadcast Entity
June 30, 2012
(with comparative totals for June 30, 2011)

	WTVS	WRCJ	Totals 2012	Totals 2011
Assets				
Current Assets				
Cash and cash equivalents	$ 2,542,196	$ 1,587,789	$ 4,129,985	$ 3,586,363
Receivables:				
Trade - Net	1,246,131	63,648	1,309,779	1,356,599
Pledges receivable - Net	1,653,356	156,429	1,809,785	2,366,192
Investments	1,500,428	-	1,500,428	1,380,902
Inventory	250,338	-	250,338	347,097
Intercompany receivable	(1,352,231)	1,352,231	-	-
Restricted cash - Bond payments	270,863	-	270,863	271,261
Prepaid assets and other	272,122	13,213	285,335	273,297
Total current assets	6,383,203	3,173,310	9,556,513	9,581,711
Pledges Receivable - Long term	175,967	68,148	244,115	1,008,519
Property and Equipment - Net	17,101,044	40,256	17,141,300	17,904,697
Other Assets	155,472	-	155,472	164,109
Total assets	**$ 23,815,686**	**$ 3,281,714**	**$ 27,097,400**	**$ 28,659,036**
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	$ 488,918	$ 175,389	$ 664,307	$ 662,451
Current portion of long-term debt	255,000	-	255,000	250,000
Current portion of capital lease obligation	257,297	-	257,297	371,160
Accrued liabilities and other	1,961,995	18,765	1,980,760	1,648,651
Total current liabilities	2,963,210	194,154	3,157,364	2,932,262
Capital Lease Obligation - Net of current portion	-	-	-	266,707
Long-term Debt - Net of current portion	5,665,000	-	5,665,000	6,420,000
Total liabilities	8,628,210	194,154	8,822,364	9,618,969
Net Assets				
Unrestricted	14,581,038	3,087,560	17,668,598	18,056,371
Temporarily restricted - Production funding	526,418	-	526,418	903,676
Permanently restricted - Endowment	80,020	-	80,020	80,020
Total net assets	15,187,476	3,087,560	18,275,036	19,040,067
Total liabilities and net assets	**$ 23,815,686**	**$ 3,281,714**	**$ 27,097,400**	**$ 28,659,036**

Detroit Educational Television Foundation

Statement of Activities and Changes in Net Assets by Broadcast Entity Years Ended June 30, 2012 (with comparative totals for year ended June 30, 2011)

	WTVS	WRCJ	Totals 2012	Totals 2011
Changes in Unrestricted Net Assets				
Revenue and support:				
Individual contributions	$ 7,736,984	$ 1,243,208	$ 8,980,192	$ 8,906,244
Retail product sales	2,604,525	-	2,604,525	2,556,292
Productions of local and national programs	2,796,212	-	2,796,212	2,959,220
Corporate contributions	724,121	358,548	1,082,669	1,006,635
Corporation for Public Broadcasting grant	1,847,014	162,300	2,009,314	1,688,794
Foundation contributions	201,800	160,054	361,854	521,428
Special events	347,677	-	347,677	303,512
Facilities rental	816,722	-	816,722	883,353
Capital campaign contributions	149,193	-	149,193	188,104
Net realized and unrealized (loss) gain on investments	(40,752)	-	(40,752)	190,691
Interest income	357	331	688	4,482
Miscellaneous income	92,180	1,250	93,430	53,922
Total revenue and support	17,276,033	1,925,691	19,201,724	19,262,677
Net assets released from restrictions	789,820	50,000	839,820	905,929
Total revenue, support, and net assets released from restrictions	18,065,853	1,975,691	20,041,544	20,168,606
Expenses:				
Program services:				
Communications	785,155	77,044	862,199	923,415
Production	6,937,292	20,019	6,957,311	6,203,275
Engineering	1,862,755	80,934	1,943,689	1,911,286
Broadcast	3,215,522	893,699	4,109,221	4,197,912
Total program service expenses	12,800,724	1,071,696	13,872,420	13,235,888
Support services:				
Administration and general	2,007,644	2,129	2,009,773	2,192,543
Fundraising	4,129,479	417,645	4,547,124	4,664,696
Total expenses	18,937,847	1,491,470	20,429,317	20,093,127
(Decrease) Increase in Unrestricted Net Assets	(871,994)	484,221	(387,773)	75,479
Changes in Temporarily Restricted Net Assets				
Contributions	462,562	-	462,562	1,425,850
Net assets released from restrictions	(789,820)	(50,000)	(839,820)	(905,929)
(Decrease) Increase in Temporarily Restricted Net Assets	(327,258)	(50,000)	(377,258)	519,921
(Decrease) Increase in Net Assets	(1,199,252)	434,221	(765,031)	595,400
Net Assets - Beginning of year	16,386,728	2,653,339	19,040,067	18,444,667
Net Assets - End of year	**$ 15,187,476**	**$ 3,087,560**	**$ 18,275,036**	**$ 19,040,067**

Detroit Educational Television Foundation

Statement of Functional Expenses
Year Ended June 30, 2012
(with comparative totals for year ended June 30, 2011)

	Program Services					Support Services		Total Expenses	
	Communication	Production	Engineering	Broadcast	Total	Administration	Fundraising	2012	2011
Salaries	$ 307,230	$ 1,026,863	$ 845,049	$ 809,822	$ 2,988,964	$ 1,062,042	$ 856,429	$ 4,907,435	$ 5,049,775
Employee benefits	22,579	186,259	83,704	74,535	367,077	96,453	118,926	582,456	591,593
Payroll taxes	17,636	180,739	57,923	70,596	326,894	73,620	80,208	480,722	469,552
Total salaries and related expenses	347,445	1,393,861	986,676	954,953	3,682,935	1,232,115	1,055,563	5,970,613	6,110,920
Product production	-	1,266,369	-	-	1,266,369	-	-	1,266,369	1,039,335
Royalties	-	517,500	-	158,003	675,503	-	-	675,503	746,042
Program acquisition	-	-	-	2,506,536	2,506,536	-	-	2,506,536	2,533,858
Program production	-	3,121,208	-	-	3,121,208	-	100,948	3,222,156	2,662,210
Professional services	82,248	104,155	7,048	82,753	276,204	68,594	437,920	782,718	884,745
Donor support	-	-	-	-	-	-	905,820	905,820	955,460
Direct mail	-	-	-	-	-	-	612,682	612,682	574,372
Heat, power, and light	11,712	31,055	241,900	35,136	319,803	41,170	59,802	420,775	423,321
Advertising and promotion	82,257	58,846	-	-	141,103	-	-	141,103	168,965
Information technology	5,415	40,722	29,538	40,150	115,825	23,272	248,190	387,287	399,299
Outreach and events	-	-	-	-	-	-	191,639	191,639	160,159
Maintenance and repairs	7,214	25,460	58,021	25,205	115,900	25,358	36,835	178,093	255,032
Tower rental	-	-	115,630	-	115,630	-	-	115,630	111,656
Telephone	6,326	16,774	34,507	43,003	100,610	22,238	32,303	155,151	184,052
Interest and bond financing	-	-	-	-	-	149,403	-	149,403	238,803
Program guide	237,217	-	-	-	237,217	-	-	237,217	231,581
Legal	3,422	46,539	18,667	10,267	78,895	12,030	17,576	108,501	125,901
Credit card/bank fees	-	14,920	-	-	14,920	18,247	236,214	269,381	246,890
Equipment	1,107	2,935	24,157	3,321	31,520	3,892	5,653	41,065	47,323
Insurance	7,331	19,438	39,987	22,944	89,700	25,769	37,432	152,901	146,673
Postage and shipping	-	65,668	845	1,383	67,896	3,136	158,936	229,968	201,041
Travel	-	34,118	1,341	7,095	42,554	34,638	29,055	106,247	95,644
Property tax	2,286	6,062	12,471	6,984	27,803	8,037	11,675	47,515	28,939
Dues, books, and periodicals	-	600	435	2,811	3,846	34,522	2,802	41,170	38,248
Office supplies and printing	1,696	9,539	9,388	8,452	29,075	5,956	10,484	45,515	44,378
Audit	-	-	-	-	-	64,460	-	64,460	86,810
Personnel development	1,779	9,871	9,927	5,336	26,913	6,252	11,806	44,971	30,675
Miscellaneous	-	-	-	656	656	3,098	13,200	16,954	6,165
Depreciation and amortization	64,744	171,671	353,151	194,233	783,799	227,586	330,589	1,341,974	1,314,630
Total functional expenses	**$ 862,199**	**$ 6,957,311**	**$ 1,943,689**	**$ 4,109,221**	**$ 13,872,420**	**$ 2,009,773**	**$ 4,547,124**	**$ 20,429,317**	**$ 20,093,127**