Detroit Educational Television Foundation

Financial Report
with Additional Information
June 30, 2013

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 financial statements of Detroit Educational Television Foundation (the "Foundation"), which comprise the balance sheet as of June 30, 2013 and 2012, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Detroit Educational Television Foundation as of June 30, 2013 and 2012 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

September 12, 2013

Detroit Educational Television Foundation

Balance Sheet

	June 30, 2013	June 30, 2012
Assets		
Current Assets		
Cash and cash equivalents	$ 4,150,934	$ 4,129,985
Receivables:		
Trade - Net	1,249,132	1,309,779
Pledges receivable - Net (Note 2)	1,438,462	1,809,785
Investments	1,763,053	1,500,428
Inventory	213,885	250,338
Restricted cash - Bond payments (Note 5)	545,894	270,863
Prepaid assets and other	298,429	285,335
Total current assets	9,659,789	9,556,513
Pledges Receivable - Long term (Note 2)	1,176,012	244,115
Property and Equipment - Net (Note 3)	16,034,633	17,141,300
Other Assets	141,076	155,472
Total assets	**$ 27,011,510**	**$ 27,097,400**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 612,721	$ 664,307
Current portion of long-term debt (Note 5)	535,000	255,000
Current portion of capital lease obligation (Note 9)	-	257,297
Accrued liabilities and other (Note 11)	1,636,564	1,980,760
Total current liabilities	2,784,285	3,157,364
Long-term Debt - Net of current portion (Note 5)	4,630,000	5,665,000
Total liabilities	7,414,285	8,822,364
Net Assets		
Unrestricted	18,182,904	17,668,598
Temporarily restricted - Production funding	1,334,301	526,418
Permanently restricted - Endowment	80,020	80,020
Total net assets	19,597,225	18,275,036
Total liabilities and net assets	**$ 27,011,510**	**$ 27,097,400**

Detroit Educational Television Foundation

Statement of Activities and Changes in Net Assets

	Year Ended June 30, 2013	Year Ended June 30, 2012
Changes in Unrestricted Net Assets		
Revenue and support:		
Individual contributions	$ 9,790,496	$ 9,029,385
Retail product sales	2,082,448	2,604,525
Productions of local and national programs	3,536,707	2,796,212
Corporate contributions	1,104,462	1,082,669
Corporation for Public Broadcasting grant	2,230,203	2,009,314
Foundation contributions	561,807	461,854
Special events	511,402	347,677
Facilities rental	743,090	816,722
Net realized and unrealized gains (losses) on investments	120,417	(40,752)
Miscellaneous income	52,688	94,118
Total revenue and support	20,733,720	19,201,724
Net assets released from restrictions	394,210	839,820
Total revenue, support, and net assets released from restrictions	21,127,930	20,041,544
Expenses:		
Program services:		
Communications	927,583	843,541
Production	6,912,092	7,672,122
Engineering	1,522,190	1,682,861
Broadcast	4,646,602	4,003,836
Total program services	14,008,467	14,202,360
Support services:		
Administration and general	1,943,730	1,853,756
Fundraising	4,661,427	4,373,201
Total expenses	20,613,624	20,429,317
Increase (Decrease) in Unrestricted Net Assets	514,306	(387,773)
Changes in Temporarily Restricted Net Assets		
Contributions	1,202,093	462,562
Net assets released from restrictions	(394,210)	(839,820)
Increase (Decrease) in Temporarily Restricted Net Assets	807,883	(377,258)
Increase (Decrease) in Net Assets	1,322,189	(765,031)
Net Assets - Beginning of year	18,275,036	19,040,067
Net Assets - End of year	**$ 19,597,225**	**$ 18,275,036**

Detroit Educational Television Foundation

Statement of Cash Flows

	Year Ended June 30, 2013	Year Ended June 30, 2012
Cash Flows from Operating Activities		
Increase (decrease) in net assets	$ 1,322,189	$ (765,031)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation and amortization	1,357,284	1,341,974
Loss on sale of property and equipment	5,122	1,256
Net realized and unrealized (gains) losses on investments	(120,417)	40,752
Change in value of interest rate swap	79,462	69,541
Change in pledge discount	(46,397)	30,672
Changes in operating assets and liabilities that provided (used) cash:		
Accounts receivable	60,647	46,820
Inventory	36,453	96,759
Pledges receivable	(514,177)	1,290,139
Prepaid assets and other	(13,094)	(12,038)
Accounts payable	(51,586)	1,856
Accrued liabilities and other	(423,658)	262,568
Net cash provided by operating activities	1,691,828	2,405,268
Cash Flows from Investing Activities		
Purchase of property and equipment	(241,343)	(571,196)
Purchases of investments	(363,972)	(915,254)
Proceeds from sales and maturities of investments	221,764	754,976
Net cash used in investing activities	(383,551)	(731,474)
Cash Flows from Financing Activities - Payments on debt	(1,012,297)	(1,130,570)
Net Increase in Cash and Cash Equivalents	295,980	543,224
Cash and Cash Equivalents - Beginning of year	4,400,848	3,857,624
Cash and Cash Equivalents - End of year	**$ 4,696,828**	**$ 4,400,848**
Supplemental Disclosure of Cash Flow Information - Cash paid for interest	**$ 99,800**	**$ 120,017**
Cash and Cash Equivalents are Comprised of the Following		
Unrestricted	$ 4,150,934	$ 4,129,985
Restricted	545,894	270,863
Total	**$ 4,696,828**	**$ 4,400,848**

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 $1,334,000 and $526,000 at June 30, 2013 and 2012, respectively. Changes in temporarily restricted net assets include contributions of $1,202,093 and $462,562 restricted for production funding during the years ended June 30, 2013 and 2012, 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, 2013 and 2012. 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, 2013 and 2012, trade accounts receivable were approximately $968,000 and $866,000, respectively, net of an allowance for doubtful accounts of approximately $5,000 and $6,000, 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, 2013 and 2012, accounts receivable from E1 totaled approximately $282,000 and $443,000, respectively, net of an allowance for returned merchandise of $147,000 and $71,000, 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. The method of allocation for depreciation and amortization was updated by management in 2013 to better reflect the equipment usage. As a result, depreciation expense allocations in the 2012 financial statements were revised to be consistent with the 2013 presentation.

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 12, 2013, 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, 2013 and 2012, 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 2010.

Note 2 - Pledges Receivable

Pledges receivable represent amounts pledged from donors. Pledges receivable consist of the following as of June 30, 2013 and 2012:

	2013	2012
Pledges receivable	$ 3,285,221	$ 2,561,238
Less unamortized discount	(56,499)	(10,102)
Less allowance for uncollectible pledges	(614,248)	(497,236)
Net pledges receivable	$ 2,614,474	$ 2,053,900
Amounts due in:		
Less than one year	$ 2,052,710	$ 2,307,021
One to five years	1,232,511	254,217
Gross payments on pledges receivable	$ 3,285,221	$ 2,561,238

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, 2013 and 2012 are as follows:

	2013	2012	Depreciable Life - Years
Land	$ 2,539,173	$ 2,539,173	-
Land improvements	69,111	69,111	10-15
Buildings and building improvements	12,012,751	12,007,547	7-40
Broadcast and production equipment	8,944,491	7,734,938	2-10
Office equipment	1,125,482	861,634	3-5
Capital lease equipment	-	1,143,184	5-20
Total cost	24,691,008	24,355,587	
Accumulated depreciation	8,656,375	7,214,287	
Net carrying amount	$ 16,034,633	$ 17,141,300	

Depreciation expense was $1,342,888 for 2013 and $1,333,337 for 2012.

Note 4 - Gift Annuity

In 2013 and 2012, the Foundation received cash as the result of certain gift annuities. Under the terms of the contracts, the Foundation received cash of $145,097 and $65,000 at the time of the donations during the years ended June 30, 2013 and 2012, respectively. The Foundation is required to pay the designated beneficiaries quarterly interest payments during their lifetimes. The present value of the estimated future payments to donors, using a discount rate of between 1.2 and 3 percent, has been included within the "accrued liabilities and other" line of the balance sheet. The liability amounted to $111,349 and $34,663 at June 30, 2013 and 2012, respectively. The Foundation recorded $59,371 and $28,041, respectively, of temporarily restricted contribution revenue for the years ended June 30, 2013 and 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, 2013), 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 $270,000 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, 2013 and 2012, the balance of the escrow account was $545,894 and $770,863, respectively. Of the escrow account balance at June 30, 2012, $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, 2014. 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, 2013 are as follows:

Years Ending June 30		Amount
2014		$ 535,000
2015		270,000
2016		280,000
2017		285,000
2018		295,000
2019 and thereafter		3,500,000
	Total	$ 5,165,000

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

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, 2013 and 2012 was $96,490 and $118,993, respectively.

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 swap agreement fixed the rate of interest that the Foundation paid on a portion of its variable rate bonds to a fixed 2.81 percent. The variable rate, which the Foundation received, is based on 68 percent of the one-month LIBOR. The Foundation was exposed to credit loss in the event of nonperformance by the other party to the interest rate swap agreement. However, the Foundation did not experience nonperformance by the counterparty. 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 administrative and general expense line on the statement of activities and changes in net assets.

As of June 30, 2013, the Foundation held variable rates and paid fixed interest rate swaps with a total notional amount of $3,082,500. Gains recognized on the interest rate swap of $79,462 have been recognized as a reduction to administration and general expense for the year ended June 30, 2013, and the periodic settlement payments of $81,948 increased this account during this period. The Foundation has recorded the fair value of the interest rate swap agreement, which resulted in a liability of $0 at June 30, 2013. The interest rate swap expired on July 1, 2013.

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, and the periodic settlement payments of $84,933 increased this account during this period. 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.

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

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 $1,100,000, with interest at 1.75 percent per annum above the daily adjusting LIBOR, an effective rate of 1.88 percent at June 30, 2013. The line of credit expires on October 31, 2013. There was no outstanding balance against the line of credit at June 30, 2013 and 2012.

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 $9,968 with various expiration dates through 2019. Future minimum payments under these leases with initial or remaining terms of one year or more are as follows:

Years Ending June 30		Amount
2014		$ 168,116
2015		145,606
2016		140,538
2017		132,024
2018		120,443
Thereafter		59,808
	Total	$ 766,535

Rent expense was approximately $170,000 and $166,000 for the years ended June 30, 2013 and 2012, respectively.

Note 9 - Capital Leases

Previously reported capital leases involving studio and production truck equipment were fully paid off during fiscal year 2013 totaling $257,297. Equipment purchased under the capital lease arrangements was capitalized and is included in property, plant, and equipment (see Note 3). Depreciation of assets under capital leases is included in depreciation expense.

Note 10 - Pension Costs

The Foundation has a defined contribution retirement plan covering substantially all full-time employees and part-time employees who meet the qualification criteria. The Foundation contributes 1 percent of each participating employee's annual compensation.

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 $58,000 and $115,000 to the two plans during 2013 and 2012, 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, 2013 and 2012, the Foundation has accrued approximately $741,000 and $752,000, 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, 2013 and 2012 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.

Note 12 - Fair Value Measurements (Continued)

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, 2013

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

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

Note 12 - Fair Value Measurements (Continued)

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, 2013, there were no transfers between Level 1, 2, or 3.

The fair value of the interest rate swap at June 30, 2012 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, 2013 and 2012 are as follows:

	Alternative Strategies
Balance at June 30, 2012	$ 89,682
Sales	(16,040)
Total unrealized losses	(8,820)
Balance at June 30, 2013	$ 64,822

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

The fair value of the alternative strategies fund at June 30, 2013 and 2012 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, 2013 and 2012, the unrealized losses for the years then ended were $8,820 and $1,225, respectively, which is recognized in the statement of activities and changes in net assets.

Note 13 - Donor- and Board-restricted Endowments

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

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

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

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 6,371	$ 80,020	$ 86,391

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

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

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

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

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

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.

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, 2013 and 2012, and have issued our report thereon dated September 12, 2013 which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The balance sheet by broadcast entity, statement of activities and changes in net assets by broadcast entity, and statement of functional expenses are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

September 12, 2013

Detroit Educational Television Foundation

Balance Sheet by Broadcast Entity
June 30, 2013
(with comparative totals for June 30, 2012)

	WTVS	WRCJ	Totals 2013	Totals 2012
Assets				
Current Assets				
Cash and cash equivalents	$ 2,836,549	$ 1,314,385	$ 4,150,934	$ 4,129,985
Receivables:				
Trade - Net	1,174,742	74,390	1,249,132	1,309,779
Pledges receivable - Net	1,163,791	274,671	1,438,462	1,809,785
Investments	1,763,053	-	1,763,053	1,500,428
Inventory	213,885	-	213,885	250,338
Intercompany receivable	(1,803,137)	1,803,137	-	-
Restricted cash - Bond payments	545,894	-	545,894	270,863
Prepaid assets and other	292,587	5,842	298,429	285,335
Total current assets	6,187,364	3,472,425	9,659,789	9,556,513
Pledges Receivable - Long term	1,146,600	29,412	1,176,012	244,115
Property and Equipment - Net	16,005,974	28,659	16,034,633	17,141,300
Other Assets	141,076	-	141,076	155,472
Total assets	**$ 23,481,014**	**$ 3,530,496**	**$ 27,011,510**	**$ 27,097,400**
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	$ 579,334	$ 33,387	$ 612,721	$ 664,307
Current portion of long-term debt	535,000	-	535,000	255,000
Current portion of capital lease obligation	-	-	-	257,297
Accrued liabilities and other	1,612,946	23,618	1,636,564	1,980,760
Total current liabilities	2,727,280	57,005	2,784,285	3,157,364
Long-term Debt - Net of current portion	4,630,000	-	4,630,000	5,665,000
Total liabilities	7,357,280	57,005	7,414,285	8,822,364
Net Assets				
Unrestricted	14,859,413	3,323,491	18,182,904	17,668,598
Temporarily restricted - Production funding	1,184,301	150,000	1,334,301	526,418
Permanently restricted - Endowment	80,020	-	80,020	80,020
Total net assets	16,123,734	3,473,491	19,597,225	18,275,036
Total liabilities and net assets	**$ 23,481,014**	**$ 3,530,496**	**$ 27,011,510**	**$ 27,097,400**

Detroit Educational Television Foundation

Statement of Activities and Changes in Net Assets by Broadcast Entity Years Ended June 30, 2013 (with comparative totals for year ended June 30, 2012)

	WTVS	WRCJ	Totals 2013	Totals 2012
Changes in Unrestricted Net Assets				
Revenue and support:				
Individual contributions	$ 8,499,904	$ 1,290,592	$ 9,790,496	$ 9,029,385
Retail product sales	2,082,448	-	2,082,448	2,604,525
Productions of local and national programs	3,401,707	135,000	3,536,707	2,796,212
Corporate contributions	871,247	233,215	1,104,462	1,082,669
Corporation for Public Broadcasting grant	2,059,365	170,838	2,230,203	2,009,314
Foundation contributions	483,630	78,177	561,807	461,854
Special events	511,402	-	511,402	347,677
Facilities rental	743,090	-	743,090	816,722
Net realized and unrealized gain (loss) on investments	120,417	-	120,417	(40,752)
Miscellaneous income	51,289	1,399	52,688	94,118
Total revenue and support	18,824,499	1,909,221	20,733,720	19,201,724
Net assets released from restrictions - Addition to	394,210	-	394,210	839,820
Total revenue, support, and net assets released from restrictions	19,218,709	1,909,221	21,127,930	20,041,544
Expenses:				
Program services:				
Communications	726,174	201,409	927,583	843,541
Production	6,869,734	42,358	6,912,092	7,672,122
Engineering	1,437,122	85,068	1,522,190	1,682,861
Broadcast	3,863,545	783,057	4,646,602	4,003,836
Total program service expenses	12,896,575	1,111,892	14,008,467	14,202,360
Support services:				
Administration and general	1,798,026	145,704	1,943,730	1,853,756
Fundraising	4,245,733	415,694	4,661,427	4,373,201
Total expenses	18,940,334	1,673,290	20,613,624	20,429,317
Increase (Decrease) in Unrestricted Net Assets	278,375	235,931	514,306	(387,773)
Changes in Temporarily Restricted Net Assets				
Contributions	1,052,093	150,000	1,202,093	462,562
Net assets released from restrictions	(394,210)	-	(394,210)	(839,820)
Increase (Decrease) in Temporarily Restricted Net Assets	657,883	150,000	807,883	(377,258)
Increase (Decrease) in Net Assets	936,258	385,931	1,322,189	(765,031)
Net Assets - Beginning of year	15,187,476	3,087,560	18,275,036	19,040,067
Net Assets - End of year	**$ 16,123,734**	**$ 3,473,491**	**$ 19,597,225**	**$ 18,275,036**

Detroit Educational Television Foundation

Statement of Functional Expenses
Year Ended June 30, 2013
(with comparative totals for year ended June 30, 2012)

	Program Services					Support Services		Total Expenses	
	Communication	Production	Engineering	Broadcast	Total	Administration	Fundraising	2013	2012
Salaries	$ 289,687	$ 758,217	$ 910,963	$ 726,661	$ 2,685,528	$ 1,144,763	$ 1,215,840	$ 5,046,131	$ 4,907,435
Employee benefits	30,622	126,294	108,402	82,794	348,112	102,683	134,896	585,691	582,456
Payroll taxes	25,386	119,483	79,288	60,410	284,567	75,085	103,897	463,549	480,722
Total salaries and related expenses	345,695	1,003,994	1,098,653	869,865	3,318,207	1,322,531	1,454,633	6,095,371	5,970,613
Product production	-	1,073,929	-	-	1,073,929	-	-	1,073,929	1,266,369
Royalties	-	442,843	-	159,836	602,679	-	-	602,679	675,503
Program acquisition	-	-	-	2,890,304	2,890,304	-	-	2,890,304	2,506,536
Program production	-	3,084,470	-	-	3,084,470	-	128,652	3,213,122	3,222,156
Professional services	9,495	37,918	13,210	156,912	217,535	93,799	453,229	764,563	782,718
Donor support	-	-	-	-	-	-	804,761	804,761	905,820
Direct mail	-	-	-	-	-	-	589,337	589,337	612,682
Heat, power, and light	20,220	40,439	60,659	235,935	357,253	48,527	66,320	472,100	420,775
Advertising and promotion	214,334	20,501	-	-	234,835	-	943	235,778	141,103
Information technology	7,156	14,312	21,468	65,296	108,232	26,256	224,873	359,361	387,287
Outreach and events	-	-	-	-	-	-	232,693	232,693	191,639
Maintenance and repairs	15,539	31,077	46,616	29,056	122,288	37,293	50,967	210,548	178,093
Tower rental	-	-	-	117,554	117,554	-	-	117,554	115,630
Telephone	5,354	10,708	16,063	26,394	58,519	12,850	17,562	88,931	155,151
Interest and bond financing	-	-	-	-	-	106,877	-	106,877	149,403
Program guide	228,257	-	-	-	228,257	-	-	228,257	237,217
Legal	1,631	46,515	4,893	1,712	54,751	4,616	5,349	64,716	108,501
Credit card/bank fees	-	2,671	-	-	2,671	17,597	216,603	236,871	269,381
Equipment	-	28,778	106,416	-	135,194	-	-	135,194	41,065
Insurance	12,952	25,904	38,856	13,600	91,312	31,085	42,482	164,879	152,901
Postage and shipping	-	65,529	1,486	3,246	70,261	3,202	146,596	220,059	229,968
Travel	-	34,807	142	4,372	39,321	17,468	21,221	78,010	106,247
Property tax	1,151	23,402	3,453	1,209	29,215	2,764	3,775	35,754	47,515
Dues, books, and periodicals	-	-	-	2,485	2,485	36,266	-	38,751	41,170
Office supplies and printing	2,770	6,884	8,731	8,090	26,475	6,649	14,939	48,063	45,515
Audit	-	-	-	-	-	66,500	-	66,500	64,460
Personnel development	4,224	13,473	14,297	4,522	36,516	10,137	17,856	64,509	44,971
Miscellaneous	-	1,761	-	-	1,761	15,108	-	16,869	16,954
Depreciation and amortization	58,805	902,177	87,247	56,214	1,104,443	84,205	168,636	1,357,284	1,341,974
Total functional expenses	**$ 927,583**	**$ 6,912,092**	**$ 1,522,190**	**$ 4,646,602**	**$ 14,008,467**	**$ 1,943,730**	**$ 4,661,427**	**$ 20,613,624**	**$ 20,429,317**