

Detroit Educational Television Foundation

**Financial Report
with Additional Information
June 30, 2015**

Detroit Educational Television Foundation

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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, 2015 and 2014 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 audits 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.

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

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, 2015 and 2014 and the changes in its net assets 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 16, 2015

Detroit Educational Television Foundation

Balance Sheet

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,478,664	\$ 3,738,309
Receivables:		
Trade - Net	629,284	607,782
Pledges receivable - Net (Note 2)	2,395,175	2,355,709
Investments (Note 11)	2,505,776	2,439,422
Inventory	121,227	168,226
Restricted cash - Bond payments (Note 6)	909,985	894,941
Prepaid assets and other	320,798	313,674
	<hr/>	<hr/>
Total current assets	10,360,909	10,518,063
Pledges Receivable - Long term (Note 2)	898,104	909,964
Property and Equipment - Net (Note 3)	14,456,775	14,983,120
Other Assets	109,406	126,681
	<hr/>	<hr/>
Total assets	\$ 25,825,194	\$ 26,537,828
	<hr/>	<hr/>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 666,745	\$ 778,221
Current portion of long-term debt (Note 5)	75,000	-
Current portion of long-term bond debt (Note 6)	895,000	885,000
Accrued liabilities and other (Note 10)	1,290,778	1,459,920
	<hr/>	<hr/>
Total current liabilities	2,927,523	3,123,141
Equipment Liability - Net of current portion (Note 5)	375,000	-
Long-term Debt - Net of current portion (Note 6)	2,850,000	3,745,000
	<hr/>	<hr/>
Total liabilities	6,152,523	6,868,141
Net Assets		
Unrestricted	17,913,148	18,020,141
Temporarily restricted - Production funding	1,679,503	1,569,526
Permanently restricted - Endowment	80,020	80,020
	<hr/>	<hr/>
Total net assets	19,672,671	19,669,687
	<hr/>	<hr/>
Total liabilities and net assets	\$ 25,825,194	\$ 26,537,828
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Detroit Educational Television Foundation

Statement of Activities and Changes in Net Assets

	Year Ended	
	June 30, 2015	June 30, 2014
Changes in Unrestricted Net Assets		
Revenue and support:		
Individual contributions	\$ 9,016,448	\$ 9,556,935
Retail product sales	695,648	1,546,878
Productions of local and national programs	3,808,028	2,971,348
Corporate contributions	1,361,512	993,974
Corporation for Public Broadcasting grants	2,603,628	1,981,339
Foundation contributions	1,084,617	638,838
Special events	293,149	381,153
Facilities rental	614,299	526,270
Net realized and unrealized gains on investments	13,347	250,047
Miscellaneous income	258,985	188,089
Total revenue and support	19,749,661	19,034,871
Net assets released from restrictions	1,072,450	1,065,518
Total revenue, support, and net assets released from restrictions	20,822,111	20,100,389
Expenses:		
Program services:		
Communications	1,223,798	1,211,357
Production	6,511,068	6,306,829
Engineering	905,616	891,704
Broadcast	4,747,173	4,316,431
Total program services	13,387,655	12,726,321
Support services:		
Administration and general	2,069,180	2,032,252
Fundraising	5,472,269	5,504,579
Total expenses	20,929,104	20,263,152
Decrease in Unrestricted Net Assets	(106,993)	(162,763)
Changes in Temporarily Restricted Net Assets		
Contributions	1,182,427	1,300,743
Net assets released from restrictions	(1,072,450)	(1,065,518)
Increase in Temporarily Restricted Net Assets	109,977	235,225
Increase in Net Assets	2,984	72,462
Net Assets - Beginning of year	19,669,687	19,597,225
Net Assets - End of year	\$ 19,672,671	\$ 19,669,687

Detroit Educational Television Foundation

Statement of Cash Flows

	Year Ended	
	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 2,984	\$ 72,462
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation and amortization	1,090,283	1,338,717
Loss on sale of property and equipment	173	-
Net realized and unrealized gains on investments	(13,347)	(250,047)
Change in pledge discount	15,433	5,559
Changes in operating assets and liabilities that (used) provided cash:		
Accounts receivable	(21,502)	641,350
Inventory	46,999	45,659
Pledges receivable	(43,039)	(656,758)
Prepaid assets and other	(7,124)	(15,245)
Accounts payable	(111,476)	165,500
Accrued liabilities and other	(169,142)	(176,644)
Net cash provided by operating activities	<u>790,242</u>	<u>1,170,553</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(547,797)	(272,809)
Proceeds from disposition of property and equipment	961	-
Purchases of investments	(1,063,399)	(950,855)
Proceeds from sales and maturities of investments	<u>1,010,392</u>	<u>524,533</u>
Net cash used in investing activities	(599,843)	(699,131)
Cash Flows from Financing Activities		
Proceeds from equipment liability	450,000	-
Payments on debt	<u>(885,000)</u>	<u>(535,000)</u>
Net cash used in financing activities	<u>(435,000)</u>	<u>(535,000)</u>
Net Decrease in Cash and Cash Equivalents	(244,601)	(63,578)
Cash and Cash Equivalents - Beginning of year	<u>4,633,250</u>	<u>4,696,828</u>
Cash and Cash Equivalents - End of year	<u>\$ 4,388,649</u>	<u>\$ 4,633,250</u>
Supplemental Disclosure of Cash Flow Information - Cash paid for interest	<u>\$ 7,390</u>	<u>\$ 12,495</u>
Cash and Cash Equivalents Are Comprised of the Following:		
Unrestricted	\$ 3,478,664	\$ 3,738,309
Restricted	<u>909,985</u>	<u>894,941</u>
Total	<u>\$ 4,388,649</u>	<u>\$ 4,633,250</u>

Detroit Educational Television Foundation

Notes to Financial Statements June 30, 2015 and 2014

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 also operates under the names DPTV, Detroit Public TV, Channel 56 and WTVS. The Foundation operates two broadcast entities, WTVS Channel 56, a viewer-sponsored television service for Southeastern Michigan and Canada, and WRCJ-FM, a classical/jazz FM radio station in Detroit, Michigan. 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 \$1,680,000 and \$1,570,000 at June 30, 2015 and 2014, respectively. Changes in temporarily restricted net assets include contributions of \$1,182,427 and \$1,300,743 restricted for production funding during the years ended June 30, 2015 and 2014, 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, 2015 and 2014

Note I - 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, 2015 and 2014. Investments are recorded at fair value based on quoted market prices or net asset value.

Trade Receivables - Trade receivables consist of accounts receivable and receivables from Entertainment One U.S. LP (EI) and Independent Label Service Group (ILS) for sales of retail products that are companions to the Foundation's fundraising programs.

Accounts receivable 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.

The Foundation entered into an agreement 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 through June 2014 for Canada sales and January 2016 for United States sales. In July 2014, the Foundation entered into an agreement with ILS for retail distribution throughout Canada. The receivable for retail sales 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.

	2015	2014
Accounts receivable	\$ 554,652	\$ 479,859
Allowance for doubtful accounts	(4,166)	(8,184)
Accounts receivable - Net	550,486	471,675
Retail distribution receivables	116,298	178,607
Allowance for returned merchandise	(37,500)	(42,500)
Retail distribution receivables - Net	78,798	136,107
Trade receivables - Net	\$ 629,284	\$ 607,782

Detroit Educational Television Foundation

Notes to Financial Statements June 30, 2015 and 2014

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

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.

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. At June 30, 2015 and 2014, the balance of the escrow account exceeds the requirement. See Note 6 for further detail.

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.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Detroit Educational Television Foundation

Notes to Financial Statements June 30, 2015 and 2014

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

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.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including September 16, 2015, which is the date the financial statements were issued.

Upcoming Accounting Change - In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Foundation's year ending June 30, 2019. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Foundation has not yet determined which application method it will use or the potential effects of the new standard on the financial statements, if any.

Detroit Educational Television Foundation

Notes to Financial Statements June 30, 2015 and 2014

Note 2 - Pledges Receivable

Pledges receivable represent amounts pledged from donors. Pledges receivable consist of the following as of June 30, 2015 and 2014:

	2015	2014
Pledges receivable	\$ 3,671,963	\$ 3,525,043
Less unamortized discount	(35,507)	(50,940)
Less allowance for uncollectible pledges	(343,177)	(208,430)
Net pledges receivable	<u>\$ 3,293,279</u>	<u>\$ 3,265,673</u>
Amounts due in:		
Less than one year	\$ 2,738,352	\$ 2,564,139
One to five years	933,611	960,904
Gross payments on pledges receivable	<u>\$ 3,671,963</u>	<u>\$ 3,525,043</u>

The Foundation discounted the pledges with interest rates ranging from 2 percent to 3.30 percent.

Note 3 - Property and Equipment

The cost of property and equipment and related accumulated depreciation at June 30, 2015 and 2014 are as follows:

	2015	2014	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	12,012,751	7-40
Broadcast and production equipment	9,666,947	9,181,277	2-10
Office equipment	1,221,981	1,161,505	3-5
Total cost	25,509,963	24,963,817	
Accumulated depreciation	11,053,188	9,980,697	
Net carrying amount	<u>\$ 14,456,775</u>	<u>\$ 14,983,120</u>	

Depreciation expense was \$1,073,009 for 2015 and \$1,342,323 for 2014.

Detroit Educational Television Foundation

Notes to Financial Statements June 30, 2015 and 2014

Note 4 - Gift Annuity

The Foundation received cash as the result of certain gift annuities. Under the terms of the contracts, the Foundation received cash of \$0 and \$75,000 at the time of the donations during the years ended June 30, 2015 and 2014, 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 percent and 3 percent, has been included within the "accrued liabilities and other" line of the balance sheet. The liability amounted to \$115,489 and \$139,356 at June 30, 2015 and 2014, respectively. The Foundation recorded \$9,421 and \$33,182 of temporarily restricted contribution revenue for the years ended June 30, 2015 and 2014, respectively, the difference between the assets received and the liability recorded at the time of the donation.

Note 5 - Equipment Liability

During 2015 the Foundation entered into an agreement, which terminates on June 30, 2021, with a non-related party whereby the Foundation is permitted to use equipment owned by the non-related party.

At June 30, 2015, \$450,000 is recorded as an asset included in property and equipment and an equipment liability as reported on the balance sheet. At year end, the asset was not placed in service.

Detroit Educational Television Foundation

Notes to Financial Statements June 30, 2015 and 2014

Note 6 - 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 (.08 percent at June 30, 2015), 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 \$285,000 to \$895,000 through 2024. Beginning in 2008, the bond agreement required the Foundation to make deposits into an escrow account as described in Note 1. At June 30, 2015 and 2014, the balance of the escrow account was \$909,985 and \$894,941, 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 in an amount equal to the full unpaid principal amount in accordance with the redemption schedule. Failure to maintain a letter of credit causes the bond to become due on demand. The letter of credit expires on July 16, 2019. 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.

On May 15, 2015, the Foundation amended and restated the redemption notice directing the trustee to redeem the bonds based on the minimum principal payment schedule below.

Minimum principal payments on the bonds payable to maturity as of June 30, 2015 are as follows:

Years Ending June 30	Amount
2016	\$ 895,000
2017	285,000
2018	295,000
2019	305,000
2020	315,000
2021 and thereafter	1,650,000
Total	<u>\$ 3,745,000</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.

Detroit Educational Television Foundation

Notes to Financial Statements June 30, 2015 and 2014

Note 6 - Long-term Debt (Continued)

Interest expense for the years ended June 30, 2015 and 2014 was \$7,192 and \$5,474, respectively.

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 1.95 percent per annum above the daily adjusting LIBOR, an effective rate of 2.13 percent and 2.10 percent at June 30, 2015 and 2014, respectively. The line of credit expires on May 11, 2016. There was no outstanding balance against the line of credit at June 30, 2015 and 2014.

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 \$255 to \$10,163 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
2016	\$ 177,401
2017	155,969
2018	127,866
2019	<u>122,463</u>
Total	<u>\$ 583,699</u>

Rent expense was approximately \$172,000 and \$169,000 for the years ended June 30, 2015 and 2014, respectively.

Note 9 - 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. Prior to January 1, 2015, the Foundation contributed 2 percent of each participating employee's annual compensation. Effective January 1, 2015, the Foundation increased its contribution to 3 percent of each participating employee's annual compensation.

Detroit Educational Television Foundation

Notes to Financial Statements June 30, 2015 and 2014

Note 9 - Pension Costs (Continued)

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 \$142,000 and \$83,000 to the two plans during 2015 and 2014, respectively.

Note 10 - Commitments and Contingency

The Foundation has entered into multiple agreements with artists in which the Foundation has rights to manufacture, market, and distribute the artists' products throughout the United States and Canada. The Foundation is also obligated to pay royalties to publishers as a requirement under the copyright act. The Foundation is required to pay such royalties based upon a percentage of proceeds derived from the sales of the products. At June 30, 2015 and 2014, the Foundation accrued approximately \$466,000 and \$633,000, respectively, in royalties under these agreements.

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 measured at fair value on a recurring basis at June 30, 2015 and 2014 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 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 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.

Detroit Educational Television Foundation

Notes to Financial Statements June 30, 2015 and 2014

Note 11 - Fair Value Measurements (Continued)

In instances whereby 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.

Assets Measured at Fair Value on a Recurring Basis at June 30, 2015

	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, 2015
Assets - Investments				
Money market	\$ 9,678	\$ -	\$ -	\$ 9,678
Mutual funds - Equity investments	1,631,930	-	-	1,631,930
Mutual funds - Fixed-income investments	782,656	-	-	782,656
Mutual funds - Balanced investments	81,512	-	-	81,512
Total assets	<u>\$ 2,505,776</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,505,776</u>

Assets Measured at Fair Value on a Recurring Basis at June 30, 2014

	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, 2014
Assets - Investments				
Money market	\$ 59,544	\$ -	\$ -	\$ 59,544
Mutual funds - Equity investments	1,592,571	-	-	1,592,571
Mutual funds - Fixed-income investments	720,178	-	-	720,178
Mutual funds - Balanced investments	67,129	-	-	67,129
Total assets	<u>\$ 2,439,422</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,439,422</u>

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, 2015, there were no transfers between Level 1, 2, or 3.

Detroit Educational Television Foundation

Notes to Financial Statements June 30, 2015 and 2014

Note 12 - 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, 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

Detroit Educational Television Foundation

Notes to Financial Statements June 30, 2015 and 2014

Note 12 - Donor- and Board-restricted Endowments

Endowment Net Asset Composition by Type of Fund as of June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 15,731	\$ 80,020	\$ 95,751

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets - Beginning of year	\$ -	\$ 15,296	\$ 80,020	\$ 95,316
Net appreciation (realized and unrealized)	-	435	-	435
Endowment net assets - End of year	\$ -	\$ 15,731	\$ 80,020	\$ 95,751

Endowment Net Asset Composition by Type of Fund as of June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 15,296	\$ 80,020	\$ 95,316

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets - Beginning of year	\$ -	\$ 6,371	\$ 80,020	\$ 86,391
Net appreciation (realized and unrealized)	-	8,925	-	8,925
Endowment net assets - End of year	\$ -	\$ 15,296	\$ 80,020	\$ 95,316

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 are reported in unrestricted net assets. There were no deficiencies reported as of June 30, 2015 and 2014.

Detroit Educational Television Foundation

Notes to Financial Statements June 30, 2015 and 2014

Note 12 - Donor- and Board-restricted Endowments

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period. 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 spending policy dictates that the Foundation may distribute a target amount up to 4 percent of the weighted average market value (over the past 36-month period) of the non-permanently restricted endowment funds annually. The permanently restricted portion of the endowment fund may not be distributed; however, the earnings of that portion (also averaged over the past 36-month period) may be used for spending. 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. In establishing this policy, the Foundation considered the long-term expected return on its endowment. The spending total should be adjusted downward if permanently restricted endowment funds fall below their original principal value.

Additional Information

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, 2015 and 2014 and have issued our report thereon dated September 16, 2015, which contained an unmodified opinion on those financial statements. Our audits were 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 16, 2015

Detroit Educational Television Foundation

Balance Sheet by Broadcast Entity June 30, 2015 (with comparative totals as of June 30, 2014)

	WTVS	WRCJ	Totals	
			2015	2014
Assets				
Current Assets				
Cash and cash equivalents	\$ 2,160,480	\$ 1,318,184	\$ 3,478,664	\$ 3,738,309
Receivables:				
Trade - Net	560,006	69,278	629,284	607,782
Pledges receivable - Net	2,102,837	292,338	2,395,175	2,355,709
Investments	2,505,776	-	2,505,776	2,439,422
Inventory	121,227	-	121,227	168,226
Intercompany receivable	(2,326,003)	2,326,003	-	-
Restricted cash - Bond payments	909,985	-	909,985	894,941
Prepaid assets and other	228,714	92,084	320,798	313,674
Total current assets	6,263,022	4,097,887	10,360,909	10,518,063
Pledges Receivable - Long term	817,186	80,918	898,104	909,964
Property and Equipment - Net	13,988,134	468,641	14,456,775	14,983,120
Other Assets	109,406	-	109,406	126,681
Total assets	<u>\$ 21,177,748</u>	<u>\$ 4,647,446</u>	<u>\$ 25,825,194</u>	<u>\$ 26,537,828</u>
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	\$ 638,115	\$ 28,630	\$ 666,745	\$ 778,221
Current portion of long-term debt	-	75,000	75,000	-
Current portion of long-term bond debt	895,000	-	895,000	885,000
Accrued liabilities and other	1,262,955	27,823	1,290,778	1,459,920
Total current liabilities	2,796,070	131,453	2,927,523	3,123,141
Equipment Liability - Net of current portion	-	375,000	375,000	-
Long-term Debt - Net of current portion	2,850,000	-	2,850,000	3,745,000
Total liabilities	5,646,070	506,453	6,152,523	6,868,141
Net Assets				
Unrestricted	13,822,155	4,090,993	17,913,148	18,020,141
Temporarily restricted - Production funding	1,629,503	50,000	1,679,503	1,569,526
Permanently restricted - Endowment	80,020	-	80,020	80,020
Total net assets	15,531,678	4,140,993	19,672,671	19,669,687
Total liabilities and net assets	<u>\$ 21,177,748</u>	<u>\$ 4,647,446</u>	<u>\$ 25,825,194</u>	<u>\$ 26,537,828</u>

Detroit Educational Television Foundation

Statement of Activities and Changes in Net Assets by Broadcast Entity Years Ended June 30, 2015 (with comparative totals for the year ended June 30, 2014)

	WTVS	WRCJ	Totals	
			2015	2014
Changes in Unrestricted Net Assets				
Revenue and support:				
Individual contributions	\$ 7,694,225	\$ 1,322,223	\$ 9,016,448	\$ 9,556,935
Retail product sales	695,648	-	695,648	1,546,878
Productions of local and national programs	3,808,028	-	3,808,028	2,971,348
Corporate contributions	858,975	502,537	1,361,512	993,974
Corporation for Public Broadcasting grants	2,432,714	170,914	2,603,628	1,981,339
Foundation contributions	905,880	178,737	1,084,617	638,838
Special events	250,769	42,380	293,149	381,153
Facilities rental	614,299	-	614,299	526,270
Net realized and unrealized gain on investments	13,347	-	13,347	250,047
Miscellaneous income	258,522	463	258,985	188,089
Total revenue and support	17,532,407	2,217,254	19,749,661	19,034,871
Net assets released from restrictions	1,072,450	-	1,072,450	1,065,518
Total revenue, support, and net assets released from restrictions	18,604,857	2,217,254	20,822,111	20,100,389
Expenses:				
Program services:				
Communications	1,079,071	144,727	1,223,798	1,211,357
Production	6,511,068	-	6,511,068	6,306,829
Engineering	767,744	137,872	905,616	891,704
Broadcast	3,843,018	904,155	4,747,173	4,316,431
Total program service expenses	12,200,901	1,186,754	13,387,655	12,726,321
Support services:				
Administration and general	1,961,683	107,497	2,069,180	2,032,252
Fundraising	4,979,718	492,551	5,472,269	5,504,579
Total expenses	19,142,302	1,786,802	20,929,104	20,263,152
(Decrease) Increase in Unrestricted Net Assets	(537,445)	430,452	(106,993)	(162,763)
Changes in Temporarily Restricted Net Assets				
Contributions	1,132,427	50,000	1,182,427	1,300,743
Net assets released from restrictions	(1,072,450)	-	(1,072,450)	(1,065,518)
Increase in Temporarily Restricted Net Assets	59,977	50,000	109,977	235,225
(Decrease) Increase in Net Assets	(477,468)	480,452	2,984	72,462
Net Assets - Beginning of year	16,009,146	3,660,541	19,669,687	19,597,225
Net Assets - End of year	\$ 15,531,678	\$ 4,140,993	\$ 19,672,671	\$ 19,669,687

Detroit Educational Television Foundation

Statement of Functional Expenses Year Ended June 30, 2015 (with comparative totals for the year ended June 30, 2014)

	Program Services					Support Services		Total Expenses	
	Communication	Production	Engineering	Broadcast	Total	Administration	Fundraising	2015	2014
Salaries	\$ 520,344	\$ 1,145,139	\$ 530,079	\$ 567,040	\$ 2,762,602	\$ 1,198,962	\$ 1,441,558	\$ 5,403,122	\$ 5,423,287
Employee benefits	74,374	201,493	79,595	72,189	427,651	153,763	216,761	798,175	711,591
Payroll taxes	45,384	138,597	46,092	45,824	275,897	76,997	105,028	457,922	461,524
Total salaries and related expenses	640,102	1,485,229	655,766	685,053	3,466,150	1,429,722	1,763,347	6,659,219	6,596,402
Product production	-	366,423	-	-	366,423	-	-	366,423	745,642
Royalties	-	198,370	-	191,713	390,083	-	-	390,083	429,675
Program acquisition	-	-	-	2,915,947	2,915,947	-	-	2,915,947	2,555,661
Program production	-	3,463,653	-	-	3,463,653	-	117,497	3,581,150	2,577,351
Professional services	18,681	29,318	-	251,400	299,399	84,630	874,192	1,258,221	1,275,816
Donor support	-	-	-	-	-	-	908,169	908,169	1,023,142
Direct mail	-	-	-	-	-	-	553,499	553,499	515,998
Heat, power, and light	33,983	65,136	18,610	166,675	284,404	46,154	63,275	393,833	429,614
Advertising and promotion	134,251	6,231	-	-	140,482	-	5,000	145,482	175,894
Information technology	10,079	19,329	5,528	58,032	92,968	26,742	228,468	348,178	360,484
Outreach and events	6,123	-	-	-	6,123	-	195,894	202,017	227,335
Maintenance and repairs	34,830	66,762	19,075	25,197	145,864	47,305	64,854	258,023	188,282
Tower rental	-	-	-	148,886	148,886	-	-	148,886	119,616
Telephone	15,268	29,265	8,361	50,357	103,251	20,736	28,429	152,416	125,571
Interest and bond financing	-	-	-	-	-	76,516	-	76,516	122,169
Program guide	219,081	-	-	-	219,081	-	-	219,081	238,813
Legal	3,068	42,559	1,681	840	48,148	4,169	5,714	58,031	69,620
Credit card/Bank fees	-	2,861	-	-	2,861	29,618	241,761	274,240	251,888
Equipment	-	7,214	136,255	66,863	210,332	-	-	210,332	137,875
Insurance	24,962	47,845	13,670	6,835	93,312	33,901	46,478	173,691	171,047
Postage and shipping	-	27,567	2,653	1,703	31,923	3,549	154,713	190,185	251,468
Travel	-	15,826	2,843	3,595	22,264	27,375	19,190	68,829	57,905
Property tax	2,169	4,158	1,188	594	8,109	2,946	4,039	15,094	16,496
Dues, books, and periodicals	699	409	-	3,698	4,806	38,982	725	44,513	42,675
Office supplies and printing	9,262	11,702	3,733	4,021	28,718	7,925	13,853	50,496	56,839
Audit	-	-	-	-	-	70,675	-	70,675	76,200
Personnel development	6,629	11,113	5,144	2,737	25,623	19,006	19,668	64,297	60,713
Miscellaneous	-	-	-	-	-	4,420	36,875	41,295	24,242
Depreciation and amortization	64,611	610,098	31,109	163,027	868,845	94,809	126,629	1,090,283	1,338,719
Total functional expenses	\$ 1,223,798	\$ 6,511,068	\$ 905,616	\$ 4,747,173	\$ 13,387,655	\$ 2,069,180	\$ 5,472,269	\$ 20,929,104	\$ 20,263,152