Detroit Educational Television Foundation

Financial Report
with Additional Information
June 30, 2017

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, 2017 and 2016 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.

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, 2017 and 2016 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 26, 2017

Detroit Educational Television Foundation

Balance Sheet

		June 30, 2017	June 30, 2016
Assets			
Current Assets			
Cash and cash equivalents		$ 2,787,648	$ 3,038,349
Receivables:			
Trade - Net		671,976	676,170
Pledges receivable - Net (Note 2)		1,372,562	1,341,217
Investments (Note 11)		2,826,243	2,549,561
Inventory		38,394	12,710
Restricted cash - Bond payments (Note 6)		295,000	285,000
Prepaid assets and other		296,249	210,366
	Total current assets	8,288,072	8,113,373
Pledges Receivable - Long term (Note 2)		476,593	365,856
Property and Equipment - Net (Note 3)		13,035,545	13,780,723
Other Assets (Note 13)		1,317,917	-
	Total assets	**$ 23,118,127**	**$ 22,259,952**
Liabilities and Net Assets			
Current Liabilities			
Accounts payable		$ 712,113	$ 795,368
Current portion of equipment liability (Note 5)		35,366	75,000
Current portion of long-term bond debt (Note 6)		295,000	285,000
Current portion of long-term liability (Note 13)		150,000	-
Accrued liabilities and other (Notes 4 and 10)		960,095	1,085,380
	Total current liabilities	2,152,574	2,240,748
Equipment Liability - Net of current portion (Note 5)		318,293	306,250
Long-term Debt - Net of current portion (Note 6)		2,195,143	2,472,868
Other Long-term Liabilities (Note 13)		1,167,917	-
	Total liabilities	5,833,927	5,019,866
Net Assets			
Unrestricted		15,323,334	15,507,460
Temporarily restricted - Production funding		1,880,846	1,652,606
Permanently restricted - Endowment		80,020	80,020
	Total net assets	17,284,200	17,240,086
	Total liabilities and net assets	**$ 23,118,127**	**$ 22,259,952**

Detroit Educational Television Foundation

Statement of Activities and Changes in Net Assets

	Year Ended June 30, 2017	Year Ended June 30, 2016
Changes in Unrestricted Net Assets		
Revenue and support:		
Individual contributions	$ 8,688,555	$ 9,120,197
Retail product sales	389,630	518,630
Productions of local and national programs	3,024,435	2,974,375
Corporate contributions	1,075,745	1,134,198
Corporation for Public Broadcasting grants	2,430,469	2,581,588
Foundation contributions	617,231	337,175
Special events	525,221	326,268
Facilities rental	481,944	512,606
Net realized and unrealized gains (losses) on investments	269,232	(27,156)
Miscellaneous income	242,713	123,300
Total revenue and support	17,745,175	17,601,181
Net assets released from restrictions	1,004,168	1,193,552
Total revenue, support, and net assets released from restrictions	18,749,343	18,794,733
Expenses:		
Program services:		
Communications	1,536,444	1,329,488
Production	5,276,673	5,826,228
Broadcast	5,430,146	5,699,185
Total program services	12,243,263	12,854,901
Support services:		
Administration and general	2,075,909	2,178,702
Fundraising	4,614,297	5,272,788
Total expenses	18,933,469	20,306,391
Decrease in Unrestricted Net Assets	(184,126)	(1,511,658)
Changes in Temporarily Restricted Net Assets		
Contributions	1,232,408	1,166,655
Net assets released from restrictions	(1,004,168)	(1,193,552)
Increase (Decrease) in Temporarily Restricted Net Assets	228,240	(26,897)
Increase (Decrease) in Net Assets	44,114	(1,538,555)
Net Assets - Beginning of year	17,240,086	18,778,641
Net Assets - End of year	**$ 17,284,200**	**$ 17,240,086**

See Notes to Financial Statements.

Detroit Educational Television Foundation

Statement of Cash Flows

	Year Ended June 30, 2017	Year Ended June 30, 2016
Cash Flows from Operating Activities		
Increase (decrease) in net assets	$ 44,114	$ (1,538,555)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation and amortization	912,141	941,203
Loss on sale of property and equipment	13,800	-
Noncash change in equipment liability	(27,591)	(68,750)
Net realized and unrealized (gains) loss on investments	(269,232)	27,156
Change in pledge discount	5,790	(24,055)
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	4,194	(46,886)
Inventory	(25,684)	108,517
Pledges receivable	(147,872)	716,231
Prepaid assets and other	(85,883)	110,432
Accounts payable	(83,255)	128,623
Accrued liabilities and other	(125,285)	(205,398)
Net cash provided by operating activities	215,237	148,518
Cash Flows from Investing Activities		
Purchase of property and equipment	(165,049)	(247,877)
Proceeds from disposition of property and equipment	1,561	-
Purchases of investments	(138,332)	(2,190,493)
Proceeds from sales and maturities of investments	130,882	2,119,552
Net cash used in investing activities	(170,938)	(318,818)
Cash Flows from Financing Activities - Payments on debt	(285,000)	(895,000)
Net Decrease in Cash and Cash Equivalents	(240,701)	(1,065,300)
Cash and Cash Equivalents - Beginning of year	3,323,349	4,388,649
Cash and Cash Equivalents - End of year	**$ 3,082,648**	**$ 3,323,349**
Supplemental Disclosure of Cash Flow Information - Cash paid for interest	**$ 30,065**	**$ 15,835**
Cash and Cash Equivalents are Comprised of the Following:		
Unrestricted	$ 2,787,648	$ 3,038,349
Restricted	295,000	285,000
Total	**$ 3,082,648**	**$ 3,323,349**

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 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 $1,880,846 and $1,652,606 at June 30, 2017 and 2016, respectively. Changes in temporarily restricted net assets include contributions of $1,232,408 and $1,166,655 restricted for production funding during the years ended June 30, 2017 and 2016, 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, 2017 and 2016. 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 BFD2, Inc., Entertainment One U.S. LP (E1), 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 E1 for retail distribution throughout the United States and ILS for retail distribution throughout Canada of its music and video products that are companions to its television fundraising programs through June 2016. In March 2016, the Foundation entered into an agreement with BFD2, Inc. through March 2019 for retail distribution through the United States and 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.

	2017	2016
Accounts receivable	$ 588,896	$ 611,076
Allowance for doubtful accounts	(10,843)	(8,574)
Accounts receivable - Net	578,053	602,502
Retail distribution receivables	101,923	111,168
Allowance for returned merchandise	(8,000)	(37,500)
Retail distribution receivables - Net	93,923	73,668
Trade receivables - Net	$ 671,976	$ 676,170

Note 1 - 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, 2017 and 2016, 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.

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.

Reclassification - Certain reclassifications were made to amounts in the 2016 financial statements to conform to the classifications used in 2017.

Note 1 - 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 26, 2017, which is the date the financial statements were issued.

Upcoming Accounting Changes - 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 is in the process of evaluating the impact of the new standard on its financial statements with a focus on the timing and pattern of the Foundation's productions of local and national programs and other contract revenue.

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Foundation's year ending June 30, 2020. The effects of applying the new lease guidance on the financial statements has not yet been determined. The effects on statement of activities and changes in net assets are not expected to be significant as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

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

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, in August 2016. ASU No. 2016-14 requires significant changes to the financial reporting model of organizations that follow FASB not-for-profit rules, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Foundation, including required disclosures about the liquidity and availability of resources. The new standard is effective for the Foundation's year ending June 30, 2019 and thereafter and must be applied on a retrospective basis. The Foundation is currently gathering the appropriate information to implement these disclosures changes in a timely manner.

Note 2 - Pledges Receivable

Pledges receivable represent amounts pledged from donors. Pledges receivable consist of the following as of June 30, 2017 and 2016:

	2017	2016
Pledges receivable	$ 1,980,367	$ 1,899,169
Less unamortized discount	(17,242)	(11,452)
Less allowance for uncollectible pledges	(113,970)	(180,644)
Net pledges receivable	$ 1,849,155	$ 1,707,073
Amounts due in:		
Less than one year	$ 1,486,532	$ 1,521,861
One to five years	493,835	377,308
Gross payments on pledges receivable	$ 1,980,367	$ 1,899,169

The Foundation discounted the pledges with interest rates ranging from 2.00 to 3.30 percent.

Note 3 - Property and Equipment

The cost of property and equipment and related accumulated depreciation at June 30, 2017 and 2016 are as follows:

	2017	2016	Depreciable Life - Years
Land	$ 2,539,173	$ 2,539,173	-
Land improvements	69,111	69,111	10-15
Buildings and building improvements	12,042,959	12,069,680	7-40
Broadcast and production equipment	9,817,674	9,689,867	2-10
Office equipment	1,401,542	1,388,149	3-5
Total cost	25,870,459	25,755,980	
Accumulated depreciation	12,834,914	11,975,257	
Net carrying amount	$ 13,035,545	$ 13,780,723	

Depreciation expense was $894,866 for 2017 and $923,928 for 2016.

Note 4 - Gift Annuity

The Foundation is party to various gift annuity contracts with donors. Under the terms of the contracts, donors contribute assets in exchange for distributions of a fixed amount for a specified period of time to the donor or other beneficiaries. 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 and totaled $129,263 and $142,577 as of June 30, 2017 and 2016, respectively. During the year ended June 30, 2017, the Foundation received $10,000 related to new annuity contracts. The Foundation recognizes the difference between the cash received and the present value of the annuity liability as temporarily restricted contribution revenue. During the year ended June 30, 2017, the Foundation recognized $4,351 of temporarily restricted contribution revenue related to these contracts. During the year ended June 30, 2016, the Foundation received $80,000 related to new annuity contracts and $35,520 of temporarily restricted contribution revenue related to these contracts.

Note 5 - Equipment Liability

During 2017, the Foundation entered into a 10-year agreement, which ends on February 28, 2027 with an automatic renewal, with a nonrelated party whereby the Foundation is permitted to use equipment owned by the nonrelated party. See Note 13 for further information.

At June 30, 2017 and 2016, $353,659 and $381,250, respectively, is recorded as an asset included in property and equipment as reported on the balance sheet.

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 (1.04 percent at June 30, 2017), 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, 2017 and 2016, the balance of the escrow account was $614,144 and $909,773, respectively. As described in Note 1, only the amount of bond payments due within one year as shown as restricted, which is $295,000 and $285,000 at June 30, 2017 and 2016, respectively. The bonds are reported net of unamortized bond issuance costs of $74,857 and $92,132 at June 30, 2017 and 2016, 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. The Foundation was in violation of the covenant requirements for the letter of credit for the year ended June 30, 2016. These covenant violations were waived by the bank through June 30, 2016. The Foundation was not in violation of the covenant requirements for the letter of credit for the year ended June 30, 2017.

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.

Note 6 - Long-term Debt (Continued)

Minimum principal payments on the bonds payable to maturity as of June 30, 2017 are as follows:

Years Ending June 30	Amount
2018	$ 295,000
2019	305,000
2020	315,000
2021	325,000
2022	335,000
2023 and thereafter	990,000
Less debt issuance costs	(74,857)
Total	$ 2,490,143

Interest expense for the years ended June 30, 2017 and 2016 was $29,095 and $15,205, 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 2.25 percent per annum above the daily adjusting LIBOR, an effective rate of 3.41 and 2.66 percent at June 30, 2017 and 2016, respectively. The line of credit expires on May 9, 2018. There was no outstanding balance against the line of credit at June 30, 2017 or 2016.

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 $10,277 with various expiration dates through 2021. Future minimum payments under these leases with initial or remaining terms of one year or more are as follows:

Years Ending June 30		Amount
2018		$ 166,471
2019		99,365
Thereafter		39,059
	Total	$ 304,895

Rent expense was approximately $173,000 and $171,000 for the years ended June 30, 2017 and 2016, 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. In 2016 and 2017, the Foundation contributed 3 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 $140,000 and $161,000 to the two plans during 2017 and 2016, 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, 2017 and 2016, the Foundation accrued approximately $155,000 and $223,000, 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, 2017 and 2016 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.

Assets Measured at Fair Value on a Recurring Basis at June 30, 2017

	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, 2017
Assets - Investments				
Money market	$ 34,403	$ -	$ -	$ 34,403
Mutual funds - Equity investments	1,943,193	-	-	1,943,193
Mutual funds - Fixed-income investments	848,647	-	-	848,647
Total assets	$ 2,826,243	$ -	$ -	$ 2,826,243

Note 11 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis at June 30, 2016

	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, 2016
Assets - Investments				
Money market	$ 133,194	$ -	$ -	$ 133,194
Mutual funds - Equity investments	1,524,659	-	-	1,524,659
Mutual funds - Fixed-income investments	796,775	-	-	796,775
Mutual funds - Balanced investments	94,933	-	-	94,933
Total assets	$ 2,549,561	$ -	$ -	$ 2,549,561

Note 12 - Change in Accounting Principle

On July 1, 2016, the Foundation adopted new guidance related to the presentation of debt issuance costs in its balance sheet. Under the new guidance, debt issuance costs are reported as a direct deduction from the carrying amount of the related debt. Previously, debt issuance costs were presented as an asset. The new presentation requirements have been applied retrospectively and amounts reported in the June 30, 2016 balance sheet have been restated, as follows:

Balance Sheet June 30, 2016

	As Computed Under Old Method	As Reported Under New Method	Effect of Change
Other assets	$ 92,132	$ -	$ (92,132)
Liabilities - Long-term debt	$ 2,565,000	$ 2,472,868	$ (92,132)

The new guidance does not affect how the debt issuance costs are accounted for after initial recognition, and these amounts continue to be amortized over the term of the related debt.

Note 13 - WRCJ License Transfer

Prior to 2017, the Federal Communications Commission (FCC) broadcast license for WRCJ was owned by Detroit Public Schools (DPS). The Foundation operated the station under an operating agreement with DPS whereby the Foundation paid certain operating expenses of the station in addition to an annual royalty payment. During 2017, DPS sold the FCC broadcast license for WRCJ along with certain assets of the station to a third party (the “new station owner”). The Foundation entered into an operating agreement with the new station owner whereby the Foundation will continue to operate the station subject to the supervision of the new station owner. The term of the operating agreement is 10 years, starting on the date of March 1, 2017, which was the date the FCC approved the license sale from DPS to the new station owner. The agreement will automatically renew for 10-year terms unless there is a material breach of contract or the broadcast license is revoked by the FCC or sold by the new station owner. The Foundation has rights to all station revenue and is responsible for most operating expenses of the station and is responsible for operating and maintaining station equipment. Under the terms of the operating agreement, the Foundation is not required to pay the new station owner for the use of the license and station assets. The Foundation determined that the sale of the WRCJ broadcast license to the new station owner was in the Foundation’s best interest; therefore, the Foundation provided a commitment to DPS of $1.5 million in cash and $1.5 million in in-kind services, to be provided ratably over a 10-year period. The intent of this commitment was to incentivize the sale of the license to the new station owner and to secure the contract with the new station owner which entitles the Foundation to the revenue from the station over the term of the operating agreement.

The Foundation has recorded a liability for the present value of the $1.5 million commitment of cash, discounted at 3.0 percent. The commitment of in-kind services is deemed to be a conditional commitment, as it is subject to annual agreement between the Foundation and DPS based on the needs of DPS and does not represent a present obligation of the Foundation; therefore, a liability has not been recorded for in-kind services.

Since the $1.5 million cash commitment represents incremental costs incurred by the Foundation to secure a revenue-producing contract, the Foundation has recorded an asset for the present value of those costs, also discounted at 3.0 percent. The costs will be recognized over the 10-year term of the operating agreement with the new station owner.

As of June 30, 2017, the Foundation has recorded $150,000 in current liabilities, $1,350,000 in long-term liabilities, net of a discount of $182,083, and $1,350,000 in other assets, net of a discount of $182,083.

Note 13 - WRCJ License Transfer (Continued)

The Foundation and the new station owner have formed a joint venture, Radio Services, LLC, in order to provide certain services to the radio station, including employment of two full-time employees who are responsible for station operations. The Foundation is the sole member of Radio Services, LLC and receives 100 percent of the profits and losses of the entity; however, the entity is fully controlled by the new station owner. FCC regulations require the new station owner to control the operations of Radio Services, LLC in order to maintain the broadcast license. Given the fact that the Foundation does not control Radio Services, LLC, it has not been consolidated into the Foundation's financial statements. For the year ended June 30, 2017, there was no activity or balances in Radio Services, LLC.

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, 2017 and 2016 and have issued our report thereon dated September 26, 2017, 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 26, 2017

Detroit Educational Television Foundation

Balance Sheet by Broadcast Entity
June 30, 2017
(with comparative totals as of June 30, 2016)

	WTVS	WRCJ	Totals 2017	Totals 2016
Assets				
Current Assets				
Cash and cash equivalents	$ 1,867,924	$ 919,724	$ 2,787,648	$ 3,038,349
Receivables:				
Trade - Net	577,390	94,586	671,976	676,170
Pledges receivable - Net	1,288,063	84,499	1,372,562	1,341,217
Investments	2,826,243	-	2,826,243	2,549,561
Inventory	38,394	-	38,394	12,710
Intercompany receivable	(3,022,683)	3,022,683	-	-
Restricted cash - Bond payments	295,000	-	295,000	285,000
Prepaid assets and other	282,044	14,205	296,249	210,366
Total current assets	4,152,375	4,135,697	8,288,072	8,113,373
Pledges Receivable - Long term	400,160	76,433	476,593	365,856
Property and Equipment - Net	12,681,887	353,658	13,035,545	13,780,723
Other Assets	-	1,317,917	1,317,917	-
Total assets	**$ 17,234,422**	**$ 5,883,705**	**$ 23,118,127**	**$ 22,259,952**
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	$ 657,447	$ 54,666	$ 712,113	$ 795,368
Current portion of equipment liability	-	35,366	35,366	75,000
Current portion of long-term bond debt	295,000	-	295,000	285,000
Current portion of long-term liability	-	150,000	150,000	-
Accrued liabilities and other	921,627	38,468	960,095	1,085,380
Total current liabilities	1,874,074	278,500	2,152,574	2,240,748
Equipment Liability - Net of current portion	-	318,293	318,293	306,250
Long-term Debt - Net of current portion	2,195,143	-	2,195,143	2,472,868
Other Long-term Liabilities	-	1,167,917	1,167,917	-
Total liabilities	4,069,217	1,764,710	5,833,927	5,019,866
Net Assets				
Unrestricted	11,284,339	4,038,995	15,323,334	15,507,460
Temporarily restricted - Production funding	1,800,846	80,000	1,880,846	1,652,606
Permanently restricted - Endowment	80,020	-	80,020	80,020
Total net assets	13,165,205	4,118,995	17,284,200	17,240,086
Total liabilities and net assets	**$ 17,234,422**	**$ 5,883,705**	**$ 23,118,127**	**$ 22,259,952**

Detroit Educational Television Foundation

Statement of Activities and Changes in Net Assets by Broadcast Entity Year Ended June 30, 2017 (with comparative totals for the year ended June 30, 2016)

	WTVS	WRCJ	Totals 2017	Totals 2016
Changes in Unrestricted Net Assets				
Revenue and support:				
Individual contributions	$ 7,243,028	$ 1,445,527	$ 8,688,555	$ 9,120,197
Retail product sales	389,630	-	389,630	518,630
Productions of local and national programs	3,024,435	-	3,024,435	2,974,375
Corporate contributions	765,292	310,453	1,075,745	1,134,198
Corporation for Public Broadcasting grants	2,430,469	-	2,430,469	2,581,588
Foundation contributions	525,731	91,500	617,231	337,175
Special events	495,061	30,160	525,221	326,268
Facilities rental	481,944	-	481,944	512,606
Net realized and unrealized gain (loss) on investments	269,232	-	269,232	(27,156)
Miscellaneous income	159,724	82,989	242,713	123,300
Total revenue and support	15,784,546	1,960,629	17,745,175	17,601,181
Net assets released from restrictions	1,004,168	-	1,004,168	1,193,552
Total revenue, support, and net assets released from restrictions	16,788,714	1,960,629	18,749,343	18,794,733
Expenses:				
Program services:				
Communications	1,460,695	75,749	1,536,444	1,329,488
Production	5,276,673	-	5,276,673	5,826,228
Broadcast	4,410,184	1,019,962	5,430,146	5,699,185
Total program service expenses	11,147,552	1,095,711	12,243,263	12,854,901
Support services:				
Administration and general	1,699,325	376,584	2,075,909	2,178,702
Fundraising	4,174,228	440,069	4,614,297	5,272,788
Total expenses	17,021,105	1,912,364	18,933,469	20,306,391
(Decrease) Increase in Unrestricted Net Assets	(232,391)	48,265	(184,126)	(1,511,658)
Changes in Temporarily Restricted Net Assets				
Contributions	1,152,408	80,000	1,232,408	1,166,655
Net assets released from restrictions	(1,004,168)	-	(1,004,168)	(1,193,552)
Increase (Decrease) in Temporarily Restricted Net Assets	148,240	80,000	228,240	(26,897)
(Decrease) Increase in Net Assets	(84,151)	128,265	44,114	(1,538,555)
Net Assets - Beginning of year	13,249,356	3,990,730	17,240,086	18,778,641
Net Assets - End of year	**$ 13,165,205**	**$ 4,118,995**	**$ 17,284,200**	**$ 17,240,086**

Detroit Educational Television Foundation

Statement of Functional Expenses
Year Ended June 30, 2017
(with comparative totals for the year ended June 30, 2016)

	Program Services				Support Services		Total Expenses	
	Communication	Production	Broadcast	Total	Administration	Fundraising	2017	2016
Salaries, benefits, and taxes	$ 914,434	$ 1,362,931	$ 1,241,905	$ 3,519,270	$ 1,406,419	$ 1,542,508	$ 6,468,197	$ 6,573,448
Retail product sales	-	244,439	-	244,439	-	-	244,439	404,104
Royalties	-	65,616	88,796	154,412	-	-	154,412	215,480
Program acquisition	-	-	2,730,586	2,730,586	-	-	2,730,586	3,003,823
Program production	-	2,839,928	-	2,839,928	-	-	2,839,928	3,058,576
Fundraising and events	16,712	-	-	16,712	-	1,960,538	1,977,250	2,592,193
Advertising, outreach, and promotion	232,263	-	-	232,263	-	77,849	310,112	248,036
Purchased services	22,609	24,078	464,827	511,514	198,938	13,571	724,023	730,873
Technology and data processing	11,349	19,415	50,216	80,980	8,218	329,793	418,991	367,087
Occupancy	88,188	150,859	446,750	685,797	103,605	94,435	883,837	911,762
Maintenance, repairs, and equipment	44,417	141,933	59,982	246,332	32,162	47,564	326,058	354,105
Postage and shipping	63,935	4,272	2,142	70,349	4,439	123,886	198,674	224,717
Travel	929	14,464	5,265	20,658	12,666	12,942	46,266	74,772
Staff training and development	35,940	69,669	26,969	132,578	20,264	39,294	192,136	112,997
Stationery and supplies	8,516	14,695	10,671	33,882	83,051	13,651	130,584	109,249
Currency exchange and bank fees	-	33	-	33	114,457	231,689	346,179	365,847
Miscellaneous	2,798	4,786	1,938	9,522	17,139	2,996	29,657	18,120
Depreciation and amortization	94,354	319,555	300,099	714,008	74,551	123,581	912,140	941,202
Total functional expenses	**$ 1,536,444**	**$ 5,276,673**	**$ 5,430,146**	**$ 12,243,263**	**$ 2,075,909**	**$ 4,614,297**	**$ 18,933,469**	**$ 20,306,391**