Detroit Educational Television Foundation

Financial Report
with Additional Information
June 30, 2020

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, 2020 and 2019 and the related statements of activities and changes in net assets, functional expenses, 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, 2020 and 2019 and the results of its changes in net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease known as COVID-19 to be a pandemic. The impact of the pandemic on the Foundation is described in Note 13 to the financial statements.

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

Also described in Note 2 to the financial statements, during 2020, the Foundation adopted Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying Scope and the Accounting Guidance for Contributions Received and Contributions Made*.

Our opinion is not modified with respect to these matters.

Plante & Moran, PLLC

September 30, 2020

Balance Sheet

June 30, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	$ 5,598,196	$ 3,519,098
Investments (Note 3)	3,271,186	3,210,277
Receivables - Net of allowances:		
Trade accounts receivable (Note 4)	607,876	786,942
Pledges receivable (Note 5)	1,302,445	1,661,302
Inventory	25,560	23,208
Prepaid expenses and other	186,588	210,780
Total current assets	10,991,851	9,411,607
Pledges Receivable - Long term (Note 5)	478,426	778,799
Other Assets - Net (Note 6)	962,579	1,084,542
Property and Equipment - Net (Note 7)	13,905,451	12,650,306
Total assets	**$ 26,338,307**	**$ 23,925,254**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 964,269	$ 575,505
Accrued liabilities and other (Notes 8 and 9)	780,174	993,539
Current portion of transmitter deferred reimbursement (Note 10)	214,553	29,000
Current portion of equipment liability (Note 11)	35,366	35,366
Current portion of long-term debt (Note 12)	151,333	151,333
Current portion of long-term liability (Note 6)	150,000	150,000
Total current liabilities	2,295,695	1,934,743
Long-term Debt - Net of current portion (Note 12)	1,853,833	2,005,167
Paycheck Protection Program Refundable Advance (Note 13)	521,623	-
Equipment Liability - Net of current portion (Note 11)	212,195	247,561
Transmitter Deferred Reimbursement - Net of current portion (Note 10)	1,880,374	841,238
Other Long-term Liabilities - Net of current portion (Note 6)	812,579	934,542
Total liabilities	7,576,299	5,963,251
Net Assets		
Without donor restrictions:		
Undesignated	14,291,307	13,641,129
Board designated - Quasi-endowment (Note 16)	2,308,985	2,342,395
Total without donor restrictions	16,600,292	15,983,524
With donor restrictions (Note 15)	2,161,716	1,978,479
Total net assets	18,762,008	17,962,003
Total liabilities and net assets	**$ 26,338,307**	**$ 23,925,254**

See notes to financial statements.

Statement of Activities and Changes in Net Assets

Years Ended June 30, 2020 and 2019

	2020	2019
Changes in Net Assets without Donor Restrictions		
Revenue, gains, and other support:		
Individual contributions	$ 9,519,754	$ 9,236,231
Productions of local and national programs	1,655,231	2,759,745
Corporation for Public Broadcasting grants	2,076,954	2,106,950
Corporate contributions	1,022,797	1,120,074
Foundation contributions	625,380	693,890
Facilities rental	390,170	488,094
Special events	215,307	403,589
Retail product sales	122,968	112,441
Investment income - Net (Note 17)	17,585	148,785
Miscellaneous income	299,171	63,956
Paycheck Protection Program contribution (Note 13)	808,777	-
Net assets released from restrictions	1,460,579	1,339,188
Total revenue, gains, other support, and net assets released from restrictions	18,214,673	18,472,943
Expenses:		
Program services:		
Engagement and outreach	1,018,864	1,067,015
Production and content creation	4,315,988	4,410,360
Broadcast	5,246,044	5,408,953
Total program services	10,580,896	10,886,328
Support services:		
Administration and general	2,546,225	2,742,534
Fundraising	4,470,784	4,355,015
Total expenses	17,597,905	17,983,877
Increase in Net Assets without Donor Restrictions	616,768	489,066
Changes in Net Assets with Donor Restrictions		
Contributions	1,644,961	1,514,086
Investment income - Net (Note 17)	(1,145)	3,551
Net assets released from restrictions	(1,460,579)	(1,339,188)
Increase in Net Assets with Donor Restrictions	183,237	178,449
Increase in Net Assets	800,005	667,515
Net Assets - Beginning of year	17,962,003	17,294,488
Net Assets - End of year	**$ 18,762,008**	**$ 17,962,003**

See notes to financial statements.

Statement of Functional Expenses

Year Ended June 30, 2020

	Program Services				Support Services		
	Engagement and Outreach	Production and Content Creation	Broadcast	Total Program Services	Administration and General	Fundraising	Total
Salaries, benefits, and taxes	$ 706,437	$ 2,267,841	$ 1,358,870	$ 4,333,148	$ 1,552,216	$ 1,495,242	$ 7,380,606
Retail product sales	-	85,628	-	85,628	-	-	85,628
Royalties	-	1,861	-	1,861	-	-	1,861
Program acquisition	-	-	2,507,581	2,507,581	-	-	2,507,581
Premium and donor supply	-	-	-	-	-	504,598	504,598
Advertising, outreach, and promotion	16,740	18,392	-	35,132	175,177	35,842	246,151
Purchased services	30,559	1,032,596	418,689	1,481,844	279,574	1,681,730	3,443,148
Technology and data processing	65,170	54,089	28,928	148,187	61,961	220,613	430,761
Occupancy	80,774	216,366	428,381	725,521	102,522	79,576	907,619
Maintenance, repairs, and equipment	41,339	154,681	39,128	235,148	49,278	34,787	319,213
Postage and shipping	539	5,298	847	6,684	76,565	88,042	171,291
Travel	2,599	63,822	1,155	67,576	14,323	15,833	97,732
Staff training and development	2,565	13,793	1,464	17,822	19,470	10,567	47,859
Stationery and supplies	3,489	58,947	7,651	70,087	42,805	11,181	124,073
Currency exchange and bank fees	-	-	-	-	106,237	176,280	282,517
Miscellaneous	-	-	-	-	8,542	22,933	31,475
Depreciation and amortization	68,653	342,674	453,350	864,677	57,555	93,560	1,015,792
Total functional expenses	**$ 1,018,864**	**$ 4,315,988**	**$ 5,246,044**	**$ 10,580,896**	**$ 2,546,225**	**$ 4,470,784**	**$ 17,597,905**

Statement of Functional Expenses

Year Ended June 30, 2019

	Program Services				Support Services		
	Engagement and Outreach	Production and Content Creation	Broadcast	Total Program Services	Administration and General	Fundraising	Total
Salaries, benefits, and taxes	$ 800,421	$ 1,925,589	$ 1,260,253	$ 3,986,263	$ 1,697,845	$ 1,616,047	$ 7,300,155
Retail product sales	-	84,156	-	84,156	-	-	84,156
Royalties	-	9,284	-	9,284	-	-	9,284
Program acquisition	-	-	2,663,904	2,663,904	-	-	2,663,904
Premium and donor supply	-	-	-	-	-	512,372	512,372
Advertising, outreach, and promotion	-	-	-	-	207,090	42,655	249,745
Purchased services	52,741	1,282,965	446,171	1,781,877	257,310	1,340,373	3,379,560
Technology and data processing	33,045	52,045	31,973	117,063	6,513	237,146	360,722
Occupancy	70,632	331,516	410,615	812,763	75,502	125,920	1,014,185
Maintenance, repairs, and equipment	32,330	184,340	45,986	262,656	33,831	44,067	340,554
Postage and shipping	1,244	1,439	1,577	4,260	76,668	81,775	162,703
Travel	3,561	114,977	11,140	129,678	26,093	23,291	179,062
Staff training and development	8,050	13,841	3,164	25,055	42,200	16,755	84,010
Stationery and supplies	7,189	69,843	6,131	83,163	52,734	34,835	170,732
Currency exchange and bank fees	-	-	-	-	139,209	162,733	301,942
Miscellaneous	2,264	5,463	1,344	9,071	4,651	3,085	16,807
Depreciation and amortization	55,538	334,902	526,695	917,135	122,888	113,961	1,153,984
Total functional expenses	**$ 1,067,015**	**$ 4,410,360**	**$ 5,408,953**	**$ 10,886,328**	**$ 2,742,534**	**$ 4,355,015**	**$ 17,983,877**

Statement of Cash Flows

Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Increase in net assets	$ 800,005	$ 667,515
Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation and amortization	1,015,792	1,153,984
(Gain) loss on sale of property and equipment	(89,000)	32,020
Noncash change in equipment liability	(35,366)	(35,366)
Net realized and unrealized loss (gain) on investments	66,707	(88,531)
Change in pledge discount	(43,127)	17,885
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:		
Trade accounts receivable	179,066	258,810
Pledges receivable	702,357	(965,846)
Inventory	(2,352)	11,632
Prepaid expenses and other	24,192	(1,765)
Accounts payable	388,764	(251,569)
Accrued liabilities and other	(213,365)	154,386
Paycheck Protection Program refundable advance	343,216	-
Net cash and cash equivalents provided by operating activities	3,136,889	953,155
Cash Flows from Investing Activities		
Purchase of property and equipment	(2,120,937)	(1,180,000)
Proceeds from disposition of property and equipment	89,000	-
Purchases of investments	(278,383)	(135,190)
Proceeds from sales and maturities of investments	150,767	39,870
Net cash and cash equivalents used in investing activities	(2,159,553)	(1,275,320)
Cash Flows from Financing Activities		
FCC transmitter reimbursement	1,224,689	870,238
Payments on debt	(151,334)	(113,500)
Payments on other long-term liabilities	(150,000)	(137,500)
Proceeds from Paycheck Protection Program	178,407	-
Net cash and cash equivalents provided by financing activities	1,101,762	619,238
Net Increase in Cash and Cash Equivalents	2,079,098	297,073
Cash and Cash Equivalents - Beginning of year	3,519,098	3,222,025
Cash and Cash Equivalents - End of year	**$ 5,598,196**	**$ 3,519,098**
Supplemental Cash Flow Information - Cash paid for interest	$ 77,136	$ 111,148

See notes to financial statements.

Note 1 - Nature of Business

Detroit Educational Television Foundation (the "Foundation") is a not-for-profit corporation that 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 individual, corporate, and foundation contributions.

Note 2 - Significant Accounting Policies

Cash Equivalents

The Foundation considers all investments with an original maturity of three months or less when purchased 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, 2020 and 2019. Investments are recorded at fair value based on quoted market prices.

Trade Receivables

Trade receivables consist of accounts receivable and receivables from Forest Incentives Ltd. 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.

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. All pledges receivable were determined to be fully collectible at June 30, 2020 and 2019.

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.

Classification of Net Assets

Net assets of the Foundation are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Foundation.

Note 2 - Significant Accounting Policies (Continued)

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Expenses are generally reported as decreases in net assets without donor restrictions. 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 an increase to net assets without donor restrictions. Contribution revenue with donor-imposed restrictions that are not met in the same year is reported as an increase to net assets with donor restrictions and is reclassified to net assets without donor restrictions when an expense is incurred that satisfies the donor-imposed restriction.

Revenue and Cost Recognition

Revenue is recognized when it is realized or realizable and earned. All contributions are considered to be available for general use unless specifically restricted by the donor. The Foundation receives contributions from board members who are considered related parties. Approximately $95,000 and $96,000 was received from related parties in the years ended June 30, 2020 and 2019, respectively.

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 program and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

The Foundation allocates shared costs in the following categories based on estimated time and effort: salaries, information technology services, technology, occupancy, equipment, supplies, and depreciation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncement

As of July 1, 2019, the Foundation adopted Financial Accounting Standards Board Accounting Standards Update No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The Foundation adopted the new standard on a modified prospective basis, and it did not impact the recognition of contributions and grants received in the year of adoption.

Note 2 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) 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, 2021. The ASU permits application of the new revenue recognition guidance using one of two retrospective application methods. The Foundation plans to apply the standard using the modified retrospective method. 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.

The FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-to-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, 2023 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The new lease standard is expected to have a significant effect on the Foundation's financial statements as a result of the Foundation's operating leases, as disclosed in Note 18, that will be reported on the balance sheet at adoption. Upon adoption, the Foundation will recognize a lease liability and corresponding right-to-use asset based on the present value of the minimum lease payments. The effects on the results of operations 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.

Reclassification

Certain 2019 amounts have been reclassified to conform to the 2020 presentation. Investment income related to donor-restricted endowment fund of $3,551 was previously netted with releases of restriction. Therefore, investment income and net assets released from restriction both increased by $3,551 in the changes in net assets with donor restrictions section of the statement of activities and changes in net assets. Investment income and net assets released from donor restrictions both decreased by this same amount in the changes in net assets without donor restrictions section of the statement of activities and changes in net assets. These reclassifications did not impact the reported total assets, net assets, or changes in net assets.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including September 30, 2020, which is the date the financial statements were available to be issued.

Note 3 - 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.

Note 3 - Fair Value Measurements (Continued)

The following tables present information about the Foundation's assets measured at fair value on a recurring basis at June 30, 2020 and 2019 and the valuation techniques used by the Foundation to determine those fair values.

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

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2020			
	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, 2020
Assets - Investments - Trading securities				
Money market	$ 106,302	$ -	$ -	$ 106,302
Mutual funds - Equity investments	2,081,646	-	-	2,081,646
Mutual funds - Fixed-income investments	1,083,238	-	-	1,083,238
Total assets	$ 3,271,186	$ -	$ -	$ 3,271,186

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2019			
	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, 2019
Assets - Investments - Trading securities				
Money market	$ 71,844	$ -	$ -	$ 71,844
Mutual funds - Equity investments	2,133,667	-	-	2,133,667
Mutual funds - Fixed-income investments	1,004,766	-	-	1,004,766
Total assets	$ 3,210,277	$ -	$ -	$ 3,210,277

Note 4 - Trade Receivables

Trade receivables represent accounts receivable and receivables for sales of retail products. Trade receivables consist of the following as of June 30, 2020 and 2019:

	2020	2019
Accounts receivable	$ 656,137	$ 815,231
Allowance for doubtful accounts	(58,396)	(49,213)
Accounts receivable - Net	597,741	766,018
Retail distribution receivable	32,135	36,924
Allowance for doubtful accounts	(22,000)	(16,000)
Retail distribution receivables - Net	10,135	20,924
Total accounts receivable	$ 607,876	$ 786,942

Note 5 - Pledges Receivable

Pledges receivable represent amounts pledged from donors. Pledges receivable consist of the following as of June 30, 2020 and 2019:

	2020	2019
Pledges receivable	$ 1,794,021	$ 2,496,378
Less unamortized discount	(13,150)	(56,277)
Net pledges receivable	$ 1,780,871	$ 2,440,101
Amounts due in:		
Less than one year	$ 1,302,445	$ 1,661,302
One to five years	491,576	835,076
Total	$ 1,794,021	$ 2,496,378

The Foundation discounted the pledges by 1.82 percent.

Note 6 - 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 where 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 where 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 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.

In 2017, the Foundation 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. The amortization is included in the broadcast program expenses in the statement of activities and changes in net assets for the years ended June 30, 2020 and 2019.

The following tables summarize the assets and liabilities the Foundation has recorded as of June 30, 2020 and 2019 in association with this transaction:

	2020	2019
Right to use WRCJ license - Gross	$ 1,500,000	$ 1,500,000
Present value discount	(87,421)	(115,458)
Accumulated amortization	(450,000)	(300,000)
Other assets - Net	$ 962,579	$ 1,084,542
Liability to DPS - Gross	$ 1,050,000	$ 1,200,000
Present value discount	(87,421)	(115,458)
Total liability to DPS - Net	962,579	1,084,542
Amount due within one year	(150,000)	(150,000)
Other long-term liabilities	$ 812,579	$ 934,542

Note 6 - 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 had required the new station owner to control the operations of Radio Services, LLC in order to maintain the broadcast license; however, in April 2018, the Foundation determined that joint venture was no longer necessary due to changes in FCC regulations. 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 years ended June 30, 2020 and 2019, there was no activity or balances in Radio Services, LLC.

Note 7 - Property and Equipment

Property and equipment are summarized as follows:

	2020	2019	Depreciable Life - Years
Land	$ 2,539,173	$ 2,539,173	-
Land improvements	98,952	94,667	10-15
Buildings and building improvements	12,316,499	12,132,976	7-40
Broadcast and production equipment	10,318,170	9,095,687	2-10
Office equipment	865,578	837,206	3-5
Construction in progress	-	1,023,908	-
Total cost	26,138,372	25,723,617	
Accumulated depreciation	12,232,921	13,073,311	
Net property and equipment	$ 13,905,451	$ 12,650,306	

Depreciation expense for 2020 and 2019 was $865,792 and $946,402, respectively.

Note 8 - 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 between 1.2 and 3.4 percent, has been included within accrued liabilities and other on the balance sheet and totaled $30,148 and $39,009 as of June 30, 2020 and 2019, respectively. During the year ended June 30, 2020, the Foundation did not receive any new annuity contracts. The Foundation recognizes the difference between the cash received and the present value of the annuity liability as contribution revenue with donor restrictions. During the year ended June 30, 2020, the Foundation recognized $0 of contribution revenue with donor restrictions related to ongoing contracts. During the year ended June 30, 2019, the Foundation received $43,286 related to new annuity contracts and recognized $106,393 of contribution revenue with donor restrictions related to these contracts.

Note 9 - 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, 2020 and 2019, the Foundation accrued approximately $20,000 and $128,000, respectively, in royalties under these agreements.

Note 10 - Transmitter Liability

Due to changes in FCC regulations, the Foundation was required to purchase a significant amount of equipment to comply with new regulatory guidelines. The FCC provided funds to help support these necessary changes and to reimburse the Foundation for the cost of the equipment. During the years ended June 30, 2020 and 2019, the Foundation received reimbursements for the cost of equipment totaling $1,275,290 and $870,238, respectively. The Foundation has deferred recognition of this reimbursement and amortizes the resulting liability into income over the useful lives of the assets beginning in March 2020.

Note 11 - Equipment Liability

During 2015, the Foundation purchased equipment used in WRCJ's operations at a cost of $450,000. The Foundation was reimbursed for these costs by the station owner. The assets are included in the Foundation's property and equipment; however, the Foundation concluded that ownership of the assets was likely to revert to the station owner at the end of the station operating agreement. Therefore, the Foundation recorded an agency liability in the amount of $450,000, which was to be amortized over the remaining operating agreement. During 2017, the station was purchased by another party (see Note 6), and the operating agreement with the new owner was extended through 2027. Beginning in 2017, the Foundation revised the amortization period of both the asset and liability to extend amortization through 2027.

At June 30, 2020 and 2019, the net book value of this equipment was $247,561 and $282,927, respectively, and was recorded as an asset included in property and equipment on the balance sheet.

Note 12 - Long-term Debt

Effective July 2, 2018, the Foundation converted bonds payable to an installment note in the amount of $2,270,000 with a maturity date of June 30, 2023. Interest is to be paid on the first business day of each calendar month with interest at 1.75 percent per annum above the daily adjusting LIBOR (2.00 and 4.25 percent at June 30, 2020 and 2019, respectively). Principal payments will be made quarterly in the amount of $37,833. The note is collateralized by all personal property of the Foundation. The requirement for the escrow account and the recording of restricted cash under the bonds ceased to exist effective July 2, 2018. In addition, the Foundation is subject to meeting certain financial covenants.

Principal payments are due as follows:

Years Ending	Amount
2021	$ 151,333
2022	151,333
2023	1,702,500
Total	$ 2,005,166

Interest expense for 2020 and 2019 was $71,114 and $111,148, respectively.

Note 13 - COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations. Shelter-in-place and other emergency orders resulted in the Foundation switching to a remote working environment in late March. Planned production projects were canceled during the last portion of the fiscal year, and there were furloughs and permanent layoffs of staff. Additionally, the Foundation canceled all in-person events, including its annual Kids Club Live event and, as a result, experienced declines in revenue during the year ended June 30, 2020. No impairments were recorded as of the balance sheet date; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. In addition, while the Foundation’s changes in net assets, cash flows, and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.

The Foundation received a Paycheck Protection Program (PPP) Loan in the amount of $1,330,400. Under the terms of this program, the loan can be forgivable if the loan is spent on qualifying expenses and staffing level requirements are met. The Foundation has recorded the loan as a conditional contribution and, at June 30, 2020, has determined it has satisfied the conditions to achieve forgiveness of $808,777. The remaining balance of the PPP funds received is included within the balance sheet as a refundable advance. The Foundation has the option to use the funds on qualifying expenses over a covered period of up to 24 weeks. At the conclusion of the covered period, any balance that is not forgiven by the Small Business Administration (SBA) will be recorded as debt and will be paid over a period of two years at a 1 percent interest rate with payments beginning six months after the conclusion of the covered period.

Note 14 - Line of Credit

Effective July 2, 2018, the Foundation entered into an unsecured line of credit agreement with Fifth Third Bank with available borrowings of approximately $1,100,000 with a maturity date of June 30, 2023. Interest is to be paid at 1.75 percent per annum above the daily adjusting LIBOR, an effective rate of 2.00 and 4.25 percent at June 30, 2020 and 2019, respectively. There was no outstanding balance against the line of credit at June 30, 2020 or 2019.

Note 15 - Net Assets with Donor Restrictions

Net assets with donor restrictions as of June 30 are available for the following purposes:

	2020	2019
Subject to expenditures for a specified purpose - Production funding:		
One Detroit Initiative	$ 255,720	$ 82,476
Great Lakes Now Initiative	539,779	928,238
Early Childhood Initiative	1,134,294	619,554
Production of National and Local Program content	1,250	206,393
Total subject to expenditures for a specified purpose - Production funding	1,931,043	1,836,661
Subject to the passage of time - Operating funding	90,000	-
Subject to the Foundation's spending policy and appropriation - Permanent donor-restricted endowment	79,125	80,270
Subject to appropriation and expenditures when a specified event occurs - Charitable gift annuity	61,548	61,548
Total	$ 2,161,716	$ 1,978,479

Note 16 - Donor-restricted and Board-designated Endowments

The Foundation's endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of trustees appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of trustees of the Foundation had interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

	Endowment Net Asset Composition by Type of Fund as of June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 2,308,985	$ -	$ 2,308,985
Donor-restricted endowment funds:			
Original donor-restricted gift amount required to be maintained in perpetuity	-	80,270	80,270
Accumulated investment loss	-	(1,145)	(1,145)
Total	$ 2,308,985	$ 79,125	$ 2,388,110

Note 16 - Donor-restricted and Board-designated Endowments (Continued)

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ 2,342,395	$ 80,270	$ 2,422,665
Investment return:			
Investment income	39,359	1,349	40,708
Net depreciation (realized and unrealized)	(72,769)	(2,494)	(75,263)
Total investment return	(33,410)	(1,145)	(34,555)
Endowment net assets - End of year	$ 2,308,985	$ 79,125	$ 2,388,110

	Endowment Net Asset Composition by Type of Fund as of June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 2,342,395	$ -	$ 2,342,395
Donor-restricted endowment funds - Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	80,270	80,270
Total	$ 2,342,395	$ 80,270	$ 2,422,665

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ 2,235,196	$ 80,270	$ 2,315,466
Investment return:			
Investment income	43,114	1,477	44,591
Net appreciation (realized and unrealized)	60,534	2,074	62,608
Total investment return	103,648	3,551	107,199
Other changes - Transfers to create board-designated endowment funds	3,551	(3,551)	-
Endowment net assets - End of year	$ 2,342,395	$ 80,270	$ 2,422,665

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 SPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature total $1,145 as of June 30, 2020. These deficiencies resulted from unfavorable market fluctuations that occurred during the year. There were no appropriations from these funds during the year ended June 30, 2020. There were no deficiencies in endowment funds as of June 30, 2019.

Note 16 - Donor-restricted and Board-designated Endowments (Continued)

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, as well as board-designated funds. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to preserve principle with emphasis on growth and income necessary to supplement the ongoing needs of the organization. The investment objective is to earn a total return, net of expenses, at least equal to a moderately aggressive portfolio market benchmark. 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 funds without donor restrictions annually. The distribution of assets shall occur in June based upon the calculated weighted-average balance of the previous December 31. In establishing this policy, the Foundation considered the long-term expected rate of return on its endowment. The Foundation has a policy that spending should be adjusted downward if endowment funds with donor restrictions fall below their original principal value.

Note 17 - Investment Income

Investment income consists of the following for the years ended June 30, 2020 and 2019:

	2020	2019
Interest and dividend income	$ 114,986	$ 94,397
Net realized and unrealized (loss) gain	(66,707)	88,531
Investment management fees	(31,839)	(30,592)
Total	$ 16,440	$ 152,336

Note 18 - 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 scheduled through June 30, 2029 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. Rental payments for the years ended June 30, 2020 and 2019 were $14,197 and $10,923, respectively, per month.

The Foundation also leases other miscellaneous equipment. Monthly payments on these leases range from $255 to $910 with various expiration dates through 2023.

Note 18 - Operating Leases (Continued)

Future minimum payments under these leases with initial or remaining terms of one year or more are as follows:

Years Ending June 30	Amount
2021	$ 219,884
2022	209,715
2023	186,861
2024	176,438
2025	178,523
Thereafter	735,579
Total	$ 1,707,000

Rent expense was approximately $210,000 and $179,000 for the years ended June 30, 2020 and 2019, respectively.

Note 19 - 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 2019 and 2020, 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 $160,000 and $135,000 to the two plans during 2020 and 2019, respectively.

Note 20 - Liquidity and Availability of Resources

The Foundation regularly monitors liquidity required to meet its operating needs and other obligations while also striving to maximize the investment return of its available funds. The Foundation is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. To help manage liquidity needs, the Foundation has committed lines of credit in the amount of $1,100,000, which it could draw upon. Additionally, the Foundation has a quasi-endowment of $2,308,985 and $2,342,395 at June 30, 2020 and 2019, respectively. Although the Foundation does not intend to spend from its quasi-endowment, other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi-endowment (with board approval) could be made available if necessary.

The Foundation also realizes there could be unanticipated liquidity needs.

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, 2020 and 2019 and have issued our report thereon dated September 30, 2020, 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 and statement of activities and changes in net assets by broadcast entity 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 30, 2020

Balance Sheet by Broadcasting Entity

June 30, 2020
(with comparative totals for 2019)

	WTVS	WRCJ	Total 2020	Total 2019
Assets				
Current Assets				
Cash and cash equivalents	$ 3,047,999	$ 2,550,197	$ 5,598,196	$ 3,519,098
Investments	3,201,849	69,337	3,271,186	3,210,277
Receivables - Net of allowances:				
Trade accounts receivable	560,271	47,605	607,876	786,942
Pledges receivable	1,209,689	92,756	1,302,445	1,661,302
Inventory	25,560	-	25,560	23,208
Intercompany receivables	(1,776,354)	1,776,354	-	-
Prepaid expenses and other	167,356	19,232	186,588	210,780
Total current assets	6,436,370	4,555,481	10,991,851	9,411,607
Pledges Receivable - Long term	404,138	74,288	478,426	778,799
Other Assets - Net	-	962,579	962,579	1,084,542
Property and Equipment - Net	13,657,889	247,562	13,905,451	12,650,306
Total assets	**$ 20,498,397**	**$ 5,839,910**	**$ 26,338,307**	**$ 23,925,254**
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	$ 937,454	$ 26,815	$ 964,269	$ 575,505
Accrued liabilities and other	742,057	38,117	780,174	993,539
Current portion of transmitter deferred reimbursement	214,553	-	214,553	29,000
Current portion of equipment liability	-	35,366	35,366	35,366
Current portion of long-term debt	151,333	-	151,333	151,333
Current portion of long-term liability	-	150,000	150,000	150,000
Total current liabilities	2,045,397	250,298	2,295,695	1,934,743
Long-term Debt - Net of current portion	1,853,833	-	1,853,833	2,005,167
Paycheck Protection Program Refundable Advance:	521,623	-	521,623	-
Equipment Liability - Net of current portion	-	212,195	212,195	247,561
Transmitter Deferred Reimbursement	1,880,374	-	1,880,374	841,238
Other Long-term Liabilities - Net of current portion	-	812,579	812,579	934,542
Total liabilities	6,301,227	1,275,072	7,576,299	5,963,251
Net Assets				
Without donor restrictions	12,075,454	4,524,838	16,600,292	15,983,524
With donor restrictions	2,121,716	40,000	2,161,716	1,978,479
Total net assets	14,197,170	4,564,838	18,762,008	17,962,003
Total liabilities and net assets	**$ 20,498,397**	**$ 5,839,910**	**$ 26,338,307**	**$ 23,925,254**

Statement of Activities and Changes in Net Assets by Broadcast Entity

Year Ended June 30, 2020
(with comparative totals for 2019)

	WTVS	WRCJ	Total 2020	Total 2019
Changes Net Assets without Donor Restrictions				
Revenue, gains, and other support:				
Individual contributions	$ 8,098,973	$ 1,420,781	$ 9,519,754	$ 9,236,231
Productions of local and national programs	1,655,231	-	1,655,231	2,759,745
Corporation for Public Broadcasting grants	1,851,979	224,975	2,076,954	2,106,950
Corporate contributions	762,179	260,618	1,022,797	1,120,074
Foundation contributions	517,442	107,938	625,380	693,890
Facilities rental	388,970	1,200	390,170	488,094
Special events	179,077	36,230	215,307	403,589
Retail product sales	122,968	-	122,968	112,441
Investment income - Net	5,383	12,202	17,585	148,785
Miscellaneous income	263,751	35,420	299,171	63,956
Paycheck Protection Program contribution	688,185	120,592	808,777	-
Net assets released from restrictions	1,460,579	-	1,460,579	1,339,188
Total revenue, gains, other support, and net assets released from restrictions	15,994,717	2,219,956	18,214,673	18,472,943
Expenses:				
Program services:				
Engagement and outreach	880,349	138,515	1,018,864	1,067,015
Production and content creation	4,315,988	-	4,315,988	4,410,360
Broadcast	4,093,899	1,152,145	5,246,044	5,408,953
Total program services	9,290,236	1,290,660	10,580,896	10,886,328
Support services:				
Administration and general	2,240,698	305,527	2,546,225	2,742,534
Fundraising	3,905,508	565,276	4,470,784	4,355,015
Total expenses	15,436,442	2,161,463	17,597,905	17,983,877
Increase in Net Assets without Donor Restrictions	558,275	58,493	616,768	489,066
Changes in Net Assets with Donor Restrictions				
Contributions	1,604,961	40,000	1,644,961	1,514,086
Investment income - Net	(1,145)	-	(1,145)	3,551
Net assets released from restrictions	(1,460,579)	-	(1,460,579)	(1,339,188)
Increase in Net Assets with Donor Restrictions	143,237	40,000	183,237	178,449
Increase in Net Assets	701,512	98,493	800,005	667,515
Net Assets - Beginning of year	13,495,658	4,466,345	17,962,003	17,294,488
Net Assets - End of year	**$ 14,197,170**	**$ 4,564,838**	**$ 18,762,008**	**$ 17,962,003**