# Detroit Educational Television Foundation

Financial Statements and
Supplementary Information

June 30, 2023 and 2022

# Independent Auditors' Report

To the Board of Trustees of
Detroit Educational Television Foundation

**Opinion**

We have audited the financial statements of Detroit Educational Television Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2023 and 2022, 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 (GAAP).

**Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Emphasis of Matter**

As described in Note 2 to the financial statements, on January 1, 2022, the Foundation adopted *Accounting Standards Codification Topic 842* as required by Accounting Standards Update No. 2016-02, *Leases (Topic 842)* and its related amendments. Our opinion is not modified with respect to this matter.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

**Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is 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 GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Baker Tilly US, LLP

Southfield, Michigan
September 20, 2023

## Detroit Educational Television Foundation

Statements of Financial Position
June 30, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| **Assets** | | |
| **Current Assets** | | |
| Cash and cash equivalents | $ 6,322,722 | $ 6,467,448 |
| Investments | 8,022,007 | 6,806,249 |
| Trade accounts receivable | 963,219 | 759,855 |
| Pledges receivable, net | 1,404,754 | 2,213,541 |
| Inventory | 35,479 | 29,753 |
| Prepaid expenses and other assets | 550,610 | 745,958 |
| Assets held for sale | 9,728,409 | - |
| Total current assets | 27,027,200 | 17,022,804 |
| Pledges receivable, long-term, net | 973,607 | 963,538 |
| Leases right of use assets | 1,254,812 | - |
| Other assets, long-term, net | 574,292 | 707,565 |
| Property and equipment, net | 3,433,709 | 13,773,283 |
| Total assets | $ 33,263,620 | $ 32,467,190 |
| **Liabilities and Net Assets** | | |
| **Current Liabilities** | | |
| Accounts payable | $ 622,742 | $ 849,690 |
| Accrued liabilities and other | 1,554,332 | 1,289,695 |
| Current portion of transmitter deferred reimbursement | 259,143 | 259,143 |
| Current portion of equipment liability | 35,366 | 35,366 |
| Current portion of long-term debt | - | 1,702,500 |
| Deferred lease incentive, current | 274,658 | - |
| Current portion of lease liability | 261,604 | - |
| Current portion of other long-term liabilities | 150,000 | 150,000 |
| Total current liabilities | 3,157,845 | 4,286,394 |
| **Long-Term Liabilities** | | |
| Deferred lease incentive, less current portion | 2,197,266 | - |
| Long-term lease liability | 993,604 | - |
| Long-term equipment liability | 106,098 | 141,464 |
| Long-term transmitter deferred reimbursement | 1,504,259 | 1,763,402 |
| Other long-term liabilities, net | 424,292 | 557,565 |
| Total liabilities | 8,383,364 | 6,748,825 |
| **Net Assets** | | |
| Without donor restrictions: | | |
| Undesignated | 15,268,403 | 15,741,788 |
| Board designated, quasi-endowment | 6,953,035 | 5,850,371 |
| Total without donor restrictions | 22,221,438 | 21,592,159 |
| With donor restrictions | 2,658,818 | 4,126,206 |
| Total net assets | 24,880,256 | 25,718,365 |
| Total liabilities and net assets | $ 33,263,620 | $ 32,467,190 |

*See notes to financial statements*

## Detroit Educational Television Foundation

Statements of Activities
Years Ended June 30, 2023 and 2022

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | 2023 Total | Without Donor Restrictions | With Donor Restrictions | 2022 Total |
| **Revenues, Gains and Other Support** | | | | | | |
| Individual contributions | $ 10,837,020 | $ 65,609 | $ 10,902,629 | $ 10,435,709 | $ 256,119 | $ 10,691,828 |
| Production of local and national programs | 1,761,969 | 643,643 | 2,405,612 | 2,906,788 | 3,174,330 | 6,081,118 |
| Corporation for Public Broadcasting grants | 2,239,552 | - | 2,239,552 | 2,029,885 | - | 2,029,885 |
| Federal and state government grants | 231,444 | - | 231,444 | 1,872,127 | 402,817 | 2,274,944 |
| Corporate contributions | 1,035,255 | - | 1,035,255 | 1,101,246 | - | 1,101,246 |
| Foundation contributions | 503,950 | 366,000 | 869,950 | 260,677 | 50,000 | 310,677 |
| Facilities rental | 902,183 | - | 902,183 | 399,967 | - | 399,967 |
| Retail product sales | 73,402 | - | 73,402 | 94,293 | - | 94,293 |
| Investment income (loss), net | 713,228 | 5,700 | 718,928 | (910,434) | (11,261) | (921,695) |
| Miscellaneous | 366,580 | - | 366,580 | 354,064 | - | 354,064 |
| Net assets released from restrictions | 2,548,340 | (2,548,340) | - | 1,843,123 | (1,843,123) | - |
| Total revenues, gains and other support | 21,212,923 | (1,467,388) | 19,745,535 | 20,387,445 | 2,028,882 | 22,416,327 |
| **Expenses** | | | | | | |
| Program Services: | | | | | | |
| Engagement and outreach | 1,423,823 | - | 1,423,823 | 1,453,632 | - | 1,453,632 |
| Production and content creation | 6,094,030 | - | 6,094,030 | 6,456,417 | - | 6,456,417 |
| Broadcast | 6,170,867 | - | 6,170,867 | 5,991,060 | - | 5,991,060 |
| Total program services | 13,688,720 | - | 13,688,720 | 13,901,109 | - | 13,901,109 |
| Support Services: | | | | | | |
| Administration and general | 2,405,952 | - | 2,405,952 | 2,372,735 | - | 2,372,735 |
| Fundraising | 4,488,972 | - | 4,488,972 | 4,379,584 | - | 4,379,584 |
| Total expenses | 20,583,644 | - | 20,583,644 | 20,653,428 | - | 20,653,428 |
| Change in net assets | 629,279 | (1,467,388) | (838,109) | (265,983) | 2,028,882 | 1,762,899 |
| **Net Assets, Beginning** | 21,592,159 | 4,126,206 | 25,718,365 | 21,858,142 | 2,097,324 | 23,955,466 |
| **Net Assets, Ending** | $ 22,221,438 | $ 2,658,818 | $ 24,880,256 | $ 21,592,159 | $ 4,126,206 | $ 25,718,365 |

*See notes to financial statements*

## Detroit Educational Television Foundation

Statement of Functional Expenses
Year Ended June 30, 2023

| | Engagement and Outreach | Production and Content Creation | Broadcast | Total Program | Administration and General | Fundraising | Total |
|---|---|---|---|---|---|---|---|
| Salaries, benefits and taxes | $ 951,721 | $ 3,264,029 | $ 1,312,746 | $ 5,528,496 | $ 1,555,548 | $ 1,328,773 | $ 8,412,817 |
| Retail product sales | - | 49,277 | - | 49,277 | - | - | 49,277 |
| Royalties | - | 165 | - | 165 | - | - | 165 |
| Program acquisition | - | 213,184 | 2,610,397 | 2,823,581 | - | - | 2,823,581 |
| Premium and donor supply | - | 167 | - | 167 | - | 412,806 | 412,973 |
| Advertising and promotion | 325 | 40,604 | - | 40,929 | 62,952 | 88,418 | 192,299 |
| Purchased services | 109,395 | 1,451,565 | 876,550 | 2,437,510 | 344,204 | 1,915,636 | 4,697,350 |
| Technology and data processing | 139,281 | 109,502 | 97,384 | 346,167 | 49,694 | 221,001 | 616,862 |
| Occupancy | 87,480 | 247,700 | 451,953 | 787,133 | 72,163 | 80,485 | 939,781 |
| Maintenance, repairs and equipment | 40,840 | 188,972 | 89,778 | 319,590 | 32,792 | 38,499 | 390,881 |
| Postage and shipping | 18 | 2,839 | 372 | 3,229 | 47,479 | 91,652 | 142,360 |
| Travel | 17 | 50,268 | 2,265 | 52,550 | 28,318 | 3,428 | 84,296 |
| Staff training and development | 6,744 | 18,132 | 10,269 | 35,145 | 56,351 | 9,177 | 100,673 |
| Stationery and supplies | 1,076 | 153,107 | 4,810 | 158,993 | 42,544 | 11,911 | 213,448 |
| Interest, currency exchange and bank fees | - | - | - | - | 49,127 | 184,051 | 233,178 |
| Miscellaneous | - | 664 | - | 664 | 15,831 | 38,748 | 55,243 |
| Depreciation and amortization | 86,926 | 303,855 | 714,343 | 1,105,124 | 48,949 | 64,387 | 1,218,460 |
| Total expenses | $ 1,423,823 | $ 6,094,030 | $ 6,170,867 | $ 13,688,720 | $ 2,405,952 | $ 4,488,972 | $ 20,583,644 |

*See notes to financial statements*

## Detroit Educational Television Foundation

Statement of Functional Expenses
Year Ended June 30, 2022

| | Engagement and Outreach | Production and Content Creation | Broadcast | Total Program | Administration and General | Fundraising | Total |
|---|---|---|---|---|---|---|---|
| Salaries, benefits and taxes | $ 710,171 | $ 3,206,804 | $ 1,254,443 | $ 5,171,418 | $ 1,593,713 | $ 1,305,823 | $ 8,070,954 |
| Retail product sales | - | 81,062 | - | 81,062 | - | - | 81,062 |
| Royalties | - | 791 | - | 791 | - | - | 791 |
| Program acquisition | - | 190,856 | 2,568,335 | 2,759,191 | - | - | 2,759,191 |
| Premium and donor supply | - | - | - | - | - | 398,834 | 398,834 |
| Advertising and promotion | 1,539 | 52,726 | - | 54,265 | 68,377 | 45,057 | 167,699 |
| Purchased services | 436,241 | 1,815,206 | 887,524 | 3,138,971 | 266,670 | 1,922,311 | 5,327,952 |
| Technology and data processing | 121,177 | 104,869 | 85,290 | 311,336 | 47,556 | 208,202 | 567,094 |
| Occupancy | 72,507 | 291,725 | 431,019 | 795,251 | 77,186 | 97,641 | 970,078 |
| Maintenance, repairs and equipment | 36,426 | 214,315 | 55,104 | 305,845 | 36,577 | 43,817 | 386,239 |
| Postage and shipping | 76 | 5,997 | 361 | 6,434 | 54,594 | 92,888 | 153,916 |
| Travel | - | 36,887 | 92 | 36,979 | 10,981 | 2,434 | 50,394 |
| Staff training and development | 2,691 | 8,929 | 6,042 | 17,662 | 35,516 | 3,524 | 56,702 |
| Stationery and supplies | 1,401 | 153,630 | 7,442 | 162,473 | 38,418 | 4,395 | 205,286 |
| Interest, currency exchange and bank fees | - | - | - | - | 68,205 | 181,828 | 250,033 |
| Miscellaneous | - | - | - | - | 19,540 | - | 19,540 |
| Depreciation and amortization | 71,403 | 292,620 | 695,408 | 1,059,431 | 55,402 | 72,830 | 1,187,663 |
| Total expenses | $ 1,453,632 | $ 6,456,417 | $ 5,991,060 | $ 13,901,109 | $ 2,372,735 | $ 4,379,584 | $ 20,653,428 |

*See notes to financial statements*

## Detroit Educational Television Foundation

Statements of Cash Flows
Years Ended June 30, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| **Cash Flow From Operating Activities** | | |
| Change in net assets | $ (838,109) | $ 1,762,899 |
| Adjustments to reconcile change in net assets to net cash flows from operating activities: | | |
| Depreciation and amortization | 1,218,460 | 1,187,663 |
| Noncash change in equipment liability | (35,366) | (35,365) |
| Net realized and unrealized (gain) loss on investments | (641,587) | 1,038,976 |
| Change in pledge discount | (9,113) | 100,908 |
| Changes in assets and liabilities: | | |
| Trade accounts receivable | (203,364) | (201,263) |
| Pledges receivable | 807,831 | (1,823,326) |
| Inventory | (5,726) | 23,498 |
| Prepaid expenses and other | 195,348 | (100,285) |
| Accounts payable | (226,948) | 22,350 |
| Accrued liabilities and other | 264,637 | (98,926) |
| Deferred lease incentive | 2,471,924 | - |
| Net cash flows from operating activities | 2,997,987 | 1,877,129 |
| **Cash Flows From Investing Activities** | | |
| Purchase of property and equipment | (448,993) | (606,098) |
| Purchases of investments | (2,627,667) | (2,241,035) |
| Proceeds from sales and maturities of investments | 2,053,496 | 167,914 |
| Net cash flows from investing activities | (1,023,164) | (2,679,219) |
| **Cash Flows From Financing Activities** | | |
| FCC transmitter reimbursement | (259,143) | (259,144) |
| Payments on long-term debt | (1,702,500) | (151,333) |
| Payments on other long-term liabilities | (150,000) | (150,000) |
| Principal payments on finance lease | (7,906) | - |
| Net cash flows from financing activities | (2,119,549) | (560,477) |
| Net change in cash and cash equivalents | (144,726) | (1,362,567) |
| **Cash and Cash Equivalents, Beginning** | 6,467,448 | 7,830,015 |
| **Cash and Cash Equivalents, Ending** | $ 6,322,722 | $ 6,467,448 |
| **Supplemental Cash Flow Disclosures** | | |
| Cash paid for interest | $ 20,567 | $ 36,657 |

*See notes to financial statements*

## 1. Nature of Activities

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, government and foundation contributions and grants.

## 2. Summary of Significant Accounting Policies

### Cash and 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

Investments are generally recorded at fair value based upon quoted market prices, when available or estimates of fair value. Donated assets are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which are considered a fair measure of the value at the date of donation). Investment income or loss and unrealized gains or losses are included in the statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

### Trade Receivables

Trade receivables consist of amounts due for underwriting, grants, rentals, production services, licensing and retail sales, as follows:

| | 2023 | 2022 |
|---|---|---|
| Underwriting | $ 351,004 | $ 218,990 |
| Grants | 234,678 | 134,078 |
| Rentals | 150,000 | 83,600 |
| Production services | 85,913 | 153,650 |
| Program licensing | 136,628 | 162,500 |
| Retail sales | 4,996 | 7,037 |
| Total | $ 963,219 | $ 759,855 |

Accounts receivable that are reciprocal in nature are stated at an amount that management expects to receive from the net transaction price. Balances are recorded net of adjustments or discounts to determine the net transaction price. Historically, the Foundation has collected substantially all of the consideration to which it is entitled under its contracts with customers. Subsequent adjustments, if any, are recognized as revenue when received. The adequacy of the Foundation’s net realizable receivable is reviewed on an ongoing basis, using historical payment trends, write-off experience, analysis of receivables by payor and aging of receivables, along with a review of specific accounts.

**Unconditional Contributions**

Unconditional contributions, including pledges receivable, are recognized as revenue in the period received and are reported as increases in the appropriate categories of net assets in accordance with donor restrictions. Contributions to be received after one year are discounted at the interest rate in effect in the year the pledge was made. Amortization of the discount is recorded as additional contribution revenue. An allowance, if any, is made for doubtful pledges receivable based upon management's judgment and analysis of the past collection history and other relevant factors. All receivables were determined to be fully collectible at June 30, 2023 and 2022.

**Inventory**

Inventory, consisting of merchandise held for resale by a third party, is stated at the lower of cost or net realizable value, with cost determined on the first-in, first out (FIFO) method.

**Other Assets**

The Foundation incurred costs of $1,500,000 in a previous year associated with the right to use a broadcast license. These amounts are included in other assets in the statements of financial position. The right to use the asset is being amortized over the expected useful life of the asset and is reflected at a discount rate of 3%. Accumulated amortization as of June 30, 2023 and 2022 was $900,000 and $750,000, respectively.

**Property and Equipment**

Property and equipment are stated at cost if purchased or fair value at date of the gift if donated. Acquisitions of property and equipment in excess of $5,000 and all expenditures for improvements and betterments that materially prolong the useful lives of assets are capitalized. Maintenance, repairs and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

**Assets Held for Sale**

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as being met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. The Foundation must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Assets held for sale are not depreciated while classified as such.

As of June 30, 2023, the Foundation has committed to sell the headquarter facility (the property) consisting of land, building and attachments thereto, and negotiations with an interested party were in progress. The property is presented as a held for sale asset in the statements of financial position at the carrying value of $9,728,409 as of June 30, 2023.

**Impairment of Long-Lived Assets**

The Foundation reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not fully be recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. There have been no such losses during the years ended June 30, 2023 and 2022.

### 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.

**Net Assets With Donor Restrictions:** Net assets subject to stipulations imposed by donors. 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.

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.

### Board Designated Net Assets

The Foundation's Board of Trustees has the ability to designate identified amounts of net assets without restrictions to be used by management for specific future projects or activities. These designations can be modified or removed by the Board of Trustees at any time.

### Tax-Exempt Status

The Foundation has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of state law and, accordingly, are not subject to federal or state income taxes. However, any unrelated business income may be subject to taxation.

To account for any uncertain tax positions, the Foundation determines whether it is more likely than not that a tax position will be sustained upon examination of the technical merits of the position, assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more-likely-than-not recognition threshold, the benefit of that position is not recognized in the financial statements. The Foundation has concluded there are no uncertain tax positions at June 30, 2023 and 2022.

### Revenue Recognition

Revenue streams that are considered to be exchange transactions consist of production services income, program licensing income and retail product sales.

Production services revenue, program licensing revenue and retail product sales are reported at the amount that reflects the consideration the Foundation expects to receive in exchange for the services or goods provided.

For production services revenue, contracts are agreed to by the Foundation and the purchaser of the services. Performance obligations are determined based on the nature of the services provided and revenue is recognized over time as performance obligations are satisfied. Production service revenue was approximately $908,000 and $1,058,000 for the years ending June 30, 2023 and 2022, respectively, and is included in production of local and national programs in the statements of activities. Contract liabilities were $197,000 and $38,000 as of June 30, 2023 and 2022, respectively. Customer payment is generally due within 30 days of invoice date, with payments scheduled at various times through the production process.

For program licensing, contracts are agreed to by the Foundation and the purchaser of the services. The performance obligation is determined to be the point in time upon delivery of the final program and start of license term. Program licensing revenue was approximately $207,000 and $353,000 for the years ending June 30, 2023 and 2022, respectively, and is included in production of local and national programs in the statements of activities. Contract liabilities were $75,000 and $0 as of June 30, 2023 and 2022, respectively. Customer payment is generally due within 30 days of invoice date, with payments scheduled at various times through the production process.

For retail product sales, revenue is recognized at a point in time upon shipment whereby control of the promised goods are transferred to the customer. Retail product sales were approximately $73,000 and $94,000 for the years ending June 30, 2023 and 2022, respectively. There were no contract liabilities as of June 30, 2023 and 2022. Product sales on consignment are paid 45 days from the end of the month during which products were sold, less consignment fees.

Unconditional contributions, including pledges receivable, are recognized in the period received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, whether received or made are recognized only when the conditions on which they depend are met and the promises become unconditional. The gifts are reported as net assets with donor restrictions if received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions. In the absence of donor specification or law that income and gains on donated funds are restricted, such income and gains are reported as contributions without donor restrictions. The Foundation has conditional contributions of $926,268 and $0 as of June 30, 2023 and 2022, respectively. The Foundation receives contributions from board members who are considered related parties. Approximately $182,000 and $326,000 was received from related parties in the years ending June 30, 2023 and 2022, respectively. Related party receivables were approximately $205,500 and $225,500 in the years ended June 30, 2023 and 2022, respectively.

**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.

### Adopted Accounting Pronouncements

Effective July 1, 2022, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842),* and all related amendments using the modified retrospective approach. The Foundation's 2022 financial statements continue to be accounted for under the FASB's Topic 840 and have not been adjusted. The Foundation has elected the package of practical expedients permitted under the transition guidance which does not require the Foundation to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs. At the date of adoption, the Foundation recorded lease right of use assets and lease liabilities of $1,450,692. Refer to Note 14 for additional information pertaining to right of use assets, lease liabilities, and lease expenses.

ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. At lease inception, leases are classified as either finance leases or operating leases with the associated right of use asset and lease liability measured at the net present value of future lease payments. Operating leases are expensed on a straight-line basis as lease expense over the noncancellable lease term. Expenses for finance leases are comprised of the amortization of the right of use asset and interest expense recognized based on the effective interest method.

Under ASU No. 2016-02, leases in which the Foundation is the lessor are classified as sales-type, direct-financing leases or operating leases. The application of Topic 842 did not have a material effect on the Foundation's accounting for leases as the lessor. Refer to Note 15 for additional information pertaining to lessor arrangements.

### New Accounting Pronouncements

During June 2016, FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. FASB has issued subsequent standards to clarify and correct errors in or improve the guidance. ASU No. 2016-13 (as amended) is effective for annual periods and interim periods within those annual periods beginning after December 15, 2022 (2023). The Foundation is currently assessing the effect that ASU No. 2016-13 (as amended) will have on its financial statements.

### Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including September 20, 2023, which is the date the financial statements were available to be issued.

## 3. Fair Value Measurements

The Foundation follows current authoritative accounting guidance, which provides a framework for measuring, reporting and disclosing fair value under generally accepted accounting principles. These standards apply to all assets and liabilities that are measured, reported and/or disclosed on a fair value basis.

As defined by current authoritative guidance, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses various valuation methods including the market, income and cost approaches. The assumptions used in the application of these valuation methods are developed from the perspective of market participants pricing the asset or liability. Inputs used in the valuation methods can be either readily observable, market corroborated or generally unobservable inputs. Whenever possible the Foundation attempts to utilize valuation methods that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation methods, the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

The following tables present information about the Foundation's assets measured at fair value on a recurring basis at June 30, 2023 and 2022 and the valuation techniques used by the Foundation to determine those fair values.

| | June 30, 2023 | | | |
|---|---|---|---|---|
| | **Total** | **Level 1** | **Level 2** | **Level 3** |
| Investments: | | | | |
| Mutual funds, equity | $ 5,105,645 | $ 5,105,645 | $ - | $ - |
| Mutual funds, fixed-income | 2,092,846 | 2,092,846 | - | - |
| Total | 7,198,491 | $ 7,198,491 | $ - | $ - |
| Net asset value investments | 375,729 | | | |
| Money market accounts | 447,787 | | | |
| Total assets at fair value | $ 8,022,007 | | | |

| | June 30, 2022 | | | |
|---|---|---|---|---|
| | **Total** | **Level 1** | **Level 2** | **Level 3** |
| Investments: | | | | |
| Mutual funds, equity | $ 3,719,531 | $ 3,719,531 | $ - | $ - |
| Mutual funds, fixed-income | 1,954,213 | 1,954,213 | - | - |
| Total | 5,673,744 | $ 5,673,744 | $ - | $ - |
| Money market accounts | 1,132,505 | | | |
| Total assets at fair value | $ 6,806,249 | | | |

The valuation of money market funds is determined on the cost basis. As a result, they are excluded from the fair value hierarchy level disclosures.

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.

Investments measured at Net Asset Value (NAV) - Fair values are estimated using the NAV per share as the practical expedient. Management believes that the carrying amounts of these financial instruments are a reasonable estimate of fair value.

The following table includes a summary of fair values, redemption features and future commitments related to investments for which estimated fair value was based upon NAV for the year ended June 30, 2023.

| | NAV | Unfunded Commitments | Redemption Frequency | Redemption Notice Periods |
|---|---|---|---|---|
| Apollo Debt Solutions BDC (the Fund) | $375,729 | $0 | Quarterly | None |

The Foundation may submit withdrawal (repurchase) requests quarterly. Requests must be submitted during the applicable tender offer window prior to the end of the calendar quarter. Any shares held less than 1 year will be repurchased at 98% of NAV. Repurchases are limited to up to 5% of the Fund's aggregate NAV outstanding as of the previous calendar quarter (i.e., aggregate repurchase requests as of September 30 will be limited to up to 5% of the Fund’s NAV outstanding as of June 30).

The Fund focuses on senior secured large corporate direct origination and, to a lesser extent, broadly syndicated loans and middle market direct lending.

## 4. Pledges Receivable

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

| | 2023 | 2022 |
|---|---|---|
| Pledges receivable | $ 2,480,070 | $ 3,287,901 |
| Less unamortized discount | (101,709) | (110,822) |
| Net pledges receivable | $ 2,378,361 | $ 3,177,079 |
| Amounts due in: | | |
| Less than one year | $ 1,404,754 | $ 2,213,541 |
| One to five years | 1,075,316 | 1,074,360 |
| Total pledges receivable | $ 2,480,070 | $ 3,287,901 |

The discount rate associated with pledges made is LIBOR plus 1.75% in 2023 and 2022. The discount was 6.82% and 2.97% for the years ending June 30, 2023 and 2022, respectively.

## 5. WRCJ License Transfer

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. In 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 operates the station subject to the supervision of the station owner. The term of the operating agreement is 10 years, expiring on March 1, 2027. 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 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 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 recorded a liability for the present value of the $1.5 million commitment of cash, discounted at 3.0%. 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%. 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, 2023 and 2022.

The following table summarizes the assets (included in other assets on the statements of financial position) and liabilities (included in other liabilities on the statements of financial position) the Foundation has recorded as of June 30, 2023 and 2022 in association with this transaction:

| | 2023 | 2022 |
|---|---|---|
| Right to use WRCJ license, gross | $ 1,500,000 | $ 1,500,000 |
| Present value discount | (25,708) | (42,435) |
| Accumulated amortization | (900,000) | (750,000) |
| Other assets, net | $ 574,292 | $ 707,565 |
| Liability to DPS, gross | $ 600,000 | $ 750,000 |
| Present value discount | (25,708) | (42,435) |
| Total liability to DPS, net | 574,292 | 707,565 |
| Amount due within one year | (150,000) | (150,000) |
| Other long-term liabilities | $ 424,292 | $ 557,565 |

## 6. Property and Equipment

Property and equipment are summarized as follows:

| | Depreciable Life - Years | 2023 | 2022 |
|---|---|---|---|
| Land | - | $ - | $ 2,539,173 |
| Land improvements | 10-15 | - | 240,363 |
| Buildings and building improvements | 7-40 | - | 12,352,758 |
| Broadcast and production equipment | 2-10 | 10,509,872 | 10,812,526 |
| Office equipment | 3-5 | 753,347 | 915,400 |
| Construction in progress | - | - | 32,914 |
| Total cost | | 11,263,219 | 26,893,134 |
| Accumulated depreciation | | (7,829,510) | (13,119,851) |
| Net property and equipment | | $ 3,433,709 | $ 13,773,283 |

Depreciation expense for the years June 30, 2023 and 2022 was $1,060,159 and $1,037,663, respectively. See Note 2 as the headquarter facility is held for sale as of June 30, 2023.

## 7. Commitments and Contingency

Financial awards from federal, state and local governments in the form of grants are subject to special audit. Such audits could result in claims against the Foundation for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this time.

## 8. 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. Between fiscal years 2019 and 2021, the Foundation received reimbursements for the cost of equipment totaling $2,591,433. The Foundation has deferred recognition of this reimbursement and amortizes the resulting liability into income over the useful lives of the assets. Accumulated amortization as of June 30, 2023 and 2022 was $828,031 and $568,888, respectively.

### 9. 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 5), 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, 2023 and 2022, the net book value of this equipment was $141,464 and $176,830, respectively, and was recorded as an asset included in property and equipment on the statements of financial position.

### 10. Long-Term Debt

The Foundation had a term loan credit agreement in the amount of $2,270,000 with a maturity date of June 30, 2023. Interest was paid on the first business day of each calendar month with interest at 1.75% per annum above the daily adjusting LIBOR (1.875% at June 30, 2022). Principal payments were made quarterly in the amount of $37,833. The note was collateralized by all personal property of the Foundation. In addition, the Foundation was subject to meeting certain restrictions and covenants. Interest expense for the years ending June 30, 2023 and 2022 was $20,567 and $36,657, respectively. The loan was paid off in full during fiscal year 2023.

### 11. Line of Credit

The Foundation had a secured line of credit agreement with available borrowings of approximately $1,100,000 with a maturity date of June 30, 2023. There was no outstanding balance against the line of credit at June 30, 2023 and 2022.

The Foundation renewed the secured line of credit agreement on July 20, 2023, with available borrowings of approximately $1,500,000 with a maturity date of June 30, 2028. Interest is to be paid on the first business day of each calendar month with interest at 1.875% per annum above the daily adjusting Secured Overnight Financing Rate (SOFR), an effective rate of 6.965% at June 30, 2023.

## 12. Net Assets with Donor Restrictions

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

| | 2023 | 2022 |
|---|---|---|
| Subject to expenditures for a specified purpose, production funding: | | |
| One Detroit Initiative | $ 103,976 | $ 210,333 |
| Great Lakes Now Initiative | 154,242 | 217,771 |
| Early Childhood Initiative | 1,327,110 | 1,933,633 |
| Michigan Learning Channel | 249,263 | 1,246,338 |
| Production of National and Local Program content | 25,000 | 81,455 |
| Total subject to expenditures for a specified purpose, production funding | 1,859,591 | 3,689,530 |
| Subject to the passage of time, operating funding | 652,969 | 306,119 |
| Subject to the Foundation's spending policy and appropriation, permanent donor-restricted endowment | 84,709 | 69,009 |
| Subject to appropriation and expenditures when a specified event occurs, charitable gift annuity | 61,549 | 61,548 |
| Total | $ 2,658,818 | $ 4,126,206 |

## 13. 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 Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 UPMIFA 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 UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

Additionally, in accordance with UPMIFA, 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:

| | 2023 | | |
|---|---|---|---|
| | **Without Donor Restrictions** | **With Donor Restrictions** | **Total** |
| Board-designated quasi-endowment fund | $ 6,953,035 | $ - | $ 6,953,035 |
| Donor-restricted endowment funds, Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor | - | 90,270 | 90,270 |
| Accumulated investment loss | - | (5,561) | (5,561) |
| Total | $ 6,953,035 | $ 84,709 | $ 7,037,744 |

| | 2022 | | |
|---|---|---|---|
| | **Without Donor Restrictions** | **With Donor Restrictions** | **Total** |
| Board-designated quasi-endowment fund | $ 5,850,371 | $ - | $ 5,850,371 |
| Donor-restricted endowment funds, Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor | - | 80,270 | 80,270 |
| Accumulated investment loss | - | (11,261) | (11,261) |
| Total | $ 5,850,371 | $ 69,009 | $ 5,919,380 |

Changes in endowment net assets for the fiscal year ended June 30:

| | 2023 | | |
|---|---|---|---|
| | **Without Donor Restrictions** | **With Donor Restrictions** | **Total** |
| Endowment net assets, beginning of year | $ 5,850,371 | $ 69,009 | $ 5,919,380 |
| Investment return: | | | |
| Investment income | 233,559 | 2,702 | 236,261 |
| Net appreciation (realized and unrealized) | 261,105 | 2,998 | 264,103 |
| Total investment return | 494,664 | 5,700 | 500,364 |
| Contributions | - | 10,000 | 10,000 |
| Transfers to board-designated endowment funds | 608,000 | - | 608,000 |
| Endowment net assets, end of year | $ 6,953,035 | $ 84,709 | $ 7,037,744 |

| | 2022 | | |
|---|---|---|---|
| | **Without Donor Restrictions** | **With Donor Restrictions** | **Total** |
| Endowment net asset, beginning of year | $ 4,671,484 | $ 80,270 | $ 4,751,754 |
| Investment return: | | | |
| Investment income | 56,820 | - | 56,820 |
| Net depreciation (realized and unrealized) | (877,933) | (11,261) | (889,194) |
| Total investment return | (821,113) | (11,261) | (832,374) |
| Transfers to board-designated endowment funds | 2,000,000 | - | 2,000,000 |
| Endowment net assets, end of year | $ 5,850,371 | $ 69,009 | $ 5,919,380 |

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature total $5,561 and $11,261 as of June 30, 2023 and June 30, 2022, respectively. 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, 2023 and 2022.

***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 Foundation. 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% 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.

## 14. Leases (Lessee)

### Leases, Prior to July 1, 2022

The Foundation leased space for a transmitting antenna and associated equipment to transmit its broadcasting signal in digital format. This was a noncancellable 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, 2022 was $14,731 .

The Foundation also leased other miscellaneous equipment. Monthly payments on these leases ranged from $180 to $1,263 with various expiration dates through 2027.

Rental expense for these operating leases was approximately $226,000 for the year ending June 30, 2022.

**Leases, July 1, 2022 and After**

The Foundation determines if an arrangement is or contains a lease at inception of the contract. Right of use assets represent the Foundation's right to use an underlying asset for the lease term, while lease liabilities represent the Foundation's obligation to make lease payments arising from the lease. Right of use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term. The Foundation uses the rate implicit in the lease, or if not readily available, the Foundation uses a risk-free treasury rate for a similar term. A right of use asset and lease liability is not recognized for leases with an initial term of 12 months or less. Lease expense is recognized on a straight-line basis over the lease term for operating lease arrangements. Expenses for financial leases are comprised of the amortization of the right of use asset and interest expense. At the date of adoption, the Foundation recorded right of use assets and lease liabilities of $1,450,692.

The Foundation’s operating and finance lease agreements are for television and radio telecommunication towers, and office equipment. Agreements typically have initial terms of 3 to 10 years. The leases may include one or more options to renew, with renewals that can extend the lease term from 10 to 40 years. The exercise of lease renewal options is at the Foundation’s sole discretion. When determining the lease term, the Foundation has included options to extend or terminate the lease when it is reasonably certain that the option will be exercised.

Right of use assets are assessed for impairment in accordance with the Foundation's long-lived asset policy. The Foundation reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

The Foundation made significant assumptions and judgments in applying the requirements of Topic 842. In particular, the Foundation:

- Evaluated whether a contract contains a lease, by considering factors such as whether the Foundation obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights;
- Determined whether contracts contain embedded leases;
- Allocated consideration in the contract between lease and nonlease components

The new standard provides for several optional practical expedients. Upon transition to Topic 842, the Foundation elected:

- The package of practical expedients permitted under the transition guidance which does not require the Foundation to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs.

The new standard also provides for several accounting policy elections, as follows:

- When the rate implicit in the lease is not determinable, rather than use the Foundation's incremental borrowing rate, the Foundation elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all asset classes;
- The Foundation elected not to apply the recognition requirements to all leases with an original term of 12 months or less, for which the Foundation is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short term leases will continue to be recorded on a straight-line basis over the lease term; and
- The Foundation elected to account for its office equipment leases using the portfolio approach; as such, leases that have similar commencement dates, length of terms, renewal options or other contract terms have been combined into a lease portfolio whereby the resulting accounting at the portfolio level does not differ materially from that at the individual lease level.

The following table summarizes the lease right of use assets and lease liabilities as of June 30, 2023:

| | |
|---|---|
| Right of use assets: | |
| Operating leases | $ 1,203,340 |
| Finance leases | 51,472 |
| Total right of use assets | $ 1,254,812 |
| Lease liabilities: | |
| Current operating lease liabilities | $ 242,119 |
| Current finance lease liabilities | 19,485 |
| Long-term operating lease liabilities | 961,220 |
| Long-term finance lease liabilities | 32,384 |
| Total lease liabilities | $ 1,255,208 |

Below is a summary of expenses incurred pertaining to leases during the year ended June 30, 2023:

| | |
|---|---|
| Finance lease expense: | |
| Amortization of right of use assets | $ 8,302 |
| Interest on lease liabilities | 857 |
| Operating lease expense | 285,506 |
| Short-term lease expense | 3,807 |
| Total lease expense | $ 298,472 |

The following table presents supplemental information related to leases:

| | |
|---|---|
| Weighted average remaining lease term (in years) | |
| Operating leases | 5.32 |
| Finance leases | 2.58 |
| Weighted average discount rate: | |
| Operating leases | 1.37% |
| Finance leases | 1.76% |

The table below summarizes the Foundation's scheduled future minimum lease payments for years ending after June 30, 2023:

| | Operating Leases | Finance Lease |
|---|---|---|
| 2024 | $ 273,254 | $ 21,032 |
| 2025 | 272,685 | 21,032 |
| 2026 | 219,672 | 12,269 |
| 2027 | 178,564 | - |
| 2028 | 176,776 | - |
| 2029 and after | 176,776 | - |
| Total lease payments | 1,297,727 | 54,333 |
| Less present value discount | (94,388) | (2,464) |
| Total lease liabilities | 1,203,339 | 51,869 |
| Less current portion | (242,119) | (19,485) |
| Long-term lease liabilities | $ 961,220 | $ 32,384 |

## 15. Rental Income

Leases prior to July 1, 2022 were accounted for under FASB's Topic 840. The leases were classified as operating leases under Topic 840. Rental income and other lease activity was recognized substantially the same as under Topic 842.

Effective July 1, 2022, the Foundation adopted ASU No. 2016-02, *Leases (Topic 842)* and all related amendments. The Foundation's accounting for leases resulted in making significant assumptions and judgments in applying the requirements of Topic 842. In particular, the Foundation applied assumptions in the evaluation of whether certain tenants are likely to exercise extension or renewal options, determined whether the collectability of lease payments is probable, based on factors such as tenant creditworthiness, economic conditions and the Foundation's historical experience with tenants. For any operating leases for which collectability is not deemed probable, the Foundation recognizes an adjustment as a reduction to lease revenue and, subsequently, lease revenue is recognized only to the extent lease payments are received. There were no operating leases for which the Foundation deemed collectability not probable.

The Foundation's rental operations consist primarily of leases of excess spectrum capacity and production equipment and facilities which are classified as operating leases. These leases are typically for terms ranging from 1 day to 10 years.

Rental income is recognized on a straight-line basis over the applicable noncancellable lease term. Straight-line rent receivable represents the difference between rental revenue recognized on a straight-line basis and cash received under the applicable lease provisions. Rental payments and other supplemental income payments received in advance are deferred and recognized in the period in which services are provided. In addition to base rent, lease-related income includes an annual CPI related bonus payment.

Lease income for the years ended June 30, 2023 and 2022 consists of the following:

| | 2023 | 2022 |
|---|---|---|
| Fixed lease income | $ 828,088 | $ 349,800 |
| Variable lease income | 74,095 | 50,167 |
| Total | $ 902,183 | $ 399,967 |

The table below summarizes the Foundation's future undiscounted cash flows to be received for years ending after June 30, 2023:

| | |
|---|---|
| Years ending June 30: | |
| 2024 | $ 600,000 |
| 2025 | 600,000 |
| 2026 | 600,000 |
| 2027 | 600,000 |
| 2028 | 600,000 |
| Thereafter | 2,400,400 |
| Total lease payments to be received | $ 5,400,400 |

As part of one of its lease arrangements, the Foundation received a royalty incentive payment of $2,746,583. This royalty incentive is being amortized on a straight-line basis over the 10-year life of the lease arrangement.

## 16. Retirement Plans

The Foundation has a defined contribution retirement plan covering substantially all full-time employees and part-time employees who meet the qualification criteria. In 2023 and 2022, the Foundation contributed 1% of each participating employee's annual compensation and in addition, in 2022, a one-time discretionary bonus contribution of 4% of each eligible participating employee's bi-annual compensation was contributed.

Certain employees also participate in a pension plan administered by the Directors Guild of America (DGA). The Foundation contributed 7% of each participating employee's compensation.

The Foundation contributed approximately $66,000 and $168,000 to the two plans during June 30, 2023 and 2022, respectively.

## 17. Liquidity and Availability of Resources

The Foundation's financial assets available within one year of the statement of financial position date for general expenditure, that is, without donor or other restrictions limiting their use, are as follows:

| | 2023 | 2022 |
|---|---|---|
| Cash and cash equivalents | $ 6,322,722 | $ 6,467,448 |
| Investments | 8,022,007 | 6,806,249 |
| Current accounts and pledges receivable | 2,367,973 | 2,973,396 |
| Less: Board-designated quasi-endowment | (6,953,035) | (5,850,371) |
| Less: Net assets with donor restrictions | (2,658,818) | (4,126,206) |
| Total | $ 7,100,849 | $ 6,270,516 |

The Foundation regularly monitors liquidity required to meet its operating needs and other obligations as they come due while also striving to maximize the investment return of available funds. To help manage liquidity needs, the Foundation has an available line of credit in the amount of $1,500,000, as detailed in Note 11. Additionally, funds could be made available from the Board-designated quasi-endowment (with board approval) if necessary.

## 18. Concentrations

The Foundation maintains cash balances in one institution which exceeds the federally insured limit of $250,000. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash or cash equivalents.

## Detroit Educational Television Foundation

Statements of Financial Position by Broadcasting Entity
June 30, 2023 with Comparative Totals for 2022

| | WTVS | WRCJ | Total 2023 | Total 2022 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current Assets** | | | | |
| Cash and cash equivalents | $ 3,006,384 | $ 3,316,338 | $ 6,322,722 | $ 6,467,448 |
| Investments | 6,982,355 | 1,039,652 | 8,022,007 | 6,806,249 |
| Trade accounts receivable | (805,031) | 1,768,250 | 963,219 | 759,855 |
| Pledges receivable, net | 1,281,257 | 123,497 | 1,404,754 | 2,213,541 |
| Inventory | 35,479 | - | 35,479 | 29,753 |
| Prepaid expenses and other assets | 528,925 | 21,685 | 550,610 | 745,958 |
| Assets held for sale | 9,728,409 | - | 9,728,409 | - |
| Total current assets | 20,757,778 | 6,269,422 | 27,027,200 | 17,022,804 |
| Pledges receivable, long-term, net | 907,271 | 66,336 | 973,607 | 963,538 |
| Leases right of use assets | 1,066,050 | 188,762 | 1,254,812 | - |
| Other assets, long-term, net | - | 574,292 | 574,292 | 707,565 |
| Property and equipment, net | 3,183,834 | 249,875 | 3,433,709 | 13,773,283 |
| Total assets | $ 25,914,933 | $ 7,348,687 | $ 33,263,620 | $ 32,467,190 |
| **Liabilities and Net Assets** | | | | |
| **Current Liabilities** | | | | |
| Accounts payable | $ 598,148 | $ 24,594 | $ 622,742 | $ 849,690 |
| Accrued liabilities and other | 1,504,830 | 49,502 | 1,554,332 | 1,289,695 |
| Current portion of transmitter deferred reimbursement | 259,143 | - | 259,143 | 259,143 |
| Current portion of equipment liability | - | 35,366 | 35,366 | 35,366 |
| Current portion of long-term debt | - | - | - | 1,702,500 |
| Deferred lease incentive, current | 274,658 | - | 274,658 | - |
| Current portion of lease liability | 189,605 | 71,999 | 261,604 | - |
| Current portion of other long-term liabilities | - | 150,000 | 150,000 | 150,000 |
| Total current liabilities | 2,826,384 | 331,461 | 3,157,845 | 4,286,394 |
| **Long-Term Liabilities** | | | | |
| Deferred lease incentive, less current portion | 2,197,266 | - | 2,197,266 | - |
| Long-term lease liability | 876,840 | 116,764 | 993,604 | - |
| Long-term equipment liability | - | 106,098 | 106,098 | 141,464 |
| Long-term transmitter deferred reimbursement | 1,504,259 | - | 1,504,259 | 1,763,402 |
| Other long-term liabilities, net | - | 424,292 | 424,292 | 557,565 |
| Total liabilities | 7,404,749 | 978,615 | 8,383,364 | 6,748,825 |
| **Net Assets** | | | | |
| Without donor restrictions | 15,989,327 | 6,232,111 | 22,221,438 | 21,592,159 |
| With donor restrictions | 2,520,857 | 137,961 | 2,658,818 | 4,126,206 |
| Total net assets | 18,510,184 | 6,370,072 | 24,880,256 | 25,718,365 |
| Total liabilities and net assets | $ 25,914,933 | $ 7,348,687 | $ 33,263,620 | $ 32,467,190 |

## Detroit Educational Television Foundation

Statements of Activities by Broadcasting Entity
Year Ended June 30, 2023 with Comparative Totals for 2022

| | WTVS | WRCJ | Total 2023 | Total 2022 |
|---|---|---|---|---|
| **Changes in Net Assets without Donor Restrictions** | | | | |
| Revenue, gains and other support: | | | | |
| Individual contributions | $ 9,028,391 | $ 1,808,629 | $ 10,837,020 | $ 10,435,709 |
| Production of local and national programs | 1,761,969 | - | 1,761,969 | 2,906,788 |
| Corporation for Public Broadcasting grants | 2,120,095 | 119,457 | 2,239,552 | 2,029,885 |
| Federal and state government grants | 231,444 | - | 231,444 | 1,872,127 |
| Corporate contributions | 751,877 | 283,378 | 1,035,255 | 1,101,246 |
| Foundation contributions | 431,448 | 72,502 | 503,950 | 260,677 |
| Facilities rental | 902,183 | - | 902,183 | 399,967 |
| Retail product sales | 73,402 | - | 73,402 | 94,293 |
| Investment income (loss), net | 643,831 | 69,397 | 713,228 | (910,434) |
| Miscellaneous | 331,214 | 35,366 | 366,580 | 354,064 |
| Net assets released from restrictions | 2,523,340 | 25,000 | 2,548,340 | 1,843,123 |
| Total revenue, gains other support | 18,799,194 | 2,413,729 | 21,212,923 | 20,387,445 |
| **Expenses** | | | | |
| Program services: | | | | |
| Engagement and outreach | 1,327,415 | 96,408 | 1,423,823 | 1,453,632 |
| Production and content creation | 6,094,030 | - | 6,094,030 | 6,456,417 |
| Broadcast | 5,168,580 | 1,002,287 | 6,170,867 | 5,991,060 |
| Total program services | 12,590,025 | 1,098,695 | 13,688,720 | 13,901,109 |
| Support services | | | | |
| Administrative and general | 2,195,600 | 210,352 | 2,405,952 | 2,372,735 |
| Fundraising | 4,078,937 | 410,035 | 4,488,972 | 4,379,584 |
| Total expenses | 18,864,562 | 1,719,082 | 20,583,644 | 20,653,428 |
| **Increase (Decrease) in Net Assets without Donor Restrictions** | (65,368) | 694,647 | 629,279 | (265,983) |
| **Changes in Net Assets with Donor Restrictions** | | | | |
| Contributions, programming and grants | 987,290 | 87,962 | 1,075,252 | 3,883,266 |
| Investment income, net | 5,700 | - | 5,700 | (11,261) |
| Net assets released from restrictions | (2,523,340) | (25,000) | (2,548,340) | (1,843,123) |
| **Increase (Decrease) in Net Assets with Donor Restrictions** | (1,530,350) | 62,962 | (1,467,388) | 2,028,882 |
| Change in net assets | (1,595,718) | 757,609 | (838,109) | 1,762,899 |
| **Net Assets, Beginning** | 20,105,902 | 5,612,463 | 25,718,365 | 23,955,466 |
| **Net Assets, Ending** | $ 18,510,184 | $ 6,370,072 | $ 24,880,256 | $ 25,718,365 |