

Detroit Educational Television Foundation

Financial Statements and
Supplementary Information

June 30, 2021 and 2020

Detroit Educational Television Foundation

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June 30, 2021 and 2020

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Independent Auditors' Report

To the Board of Trustees of
Detroit Educational Television Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Detroit Educational Television Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 the Foundation as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Foundation as of June 30, 2020, were audited by other auditors whose report dated September 30, 2020, expressed an unmodified opinion on those statements.

Other Matters

Report on Supplementary Information

Our audit was 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 of the financial statements and it 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 supplementary 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 supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2021 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Southfield, Michigan
September 22, 2021

Detroit Educational Television Foundation

Statements of Financial Position
June 30, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|----------------------|----------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 7,830,015 | \$ 5,598,196 |
| Investments | 5,772,104 | 3,271,186 |
| Trade accounts receivable | 558,592 | 607,876 |
| Pledges receivable, net | 1,233,998 | 1,302,445 |
| Inventory | 53,251 | 25,560 |
| Prepaid expenses and other assets | <u>645,673</u> | <u>186,588</u> |
| Total current assets | 16,093,633 | 10,991,851 |
| Pledges receivable - long-term, net | 220,663 | 478,426 |
| Other assets - long-term, net | 836,956 | 962,579 |
| Property and equipment | <u>14,204,848</u> | <u>13,905,451</u> |
| Total assets | <u>\$ 31,356,100</u> | <u>\$ 26,338,307</u> |
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Accounts payable | \$ 827,340 | \$ 964,269 |
| Accrued liabilities and other | 1,388,621 | 780,174 |
| Current portion of transmitter deferred reimbursement | 259,143 | 214,553 |
| Current portion of equipment liability | 35,366 | 35,366 |
| Current portion of long-term debt | 151,333 | 151,333 |
| Current portion of other long-term liabilities | <u>150,000</u> | <u>150,000</u> |
| Total current liabilities | 2,811,803 | 2,295,695 |
| Long-Term Liabilities | | |
| Long-term debt | 1,702,500 | 1,853,833 |
| Paycheck Protection Program refundable advance | - | 521,623 |
| Equipment liability | 176,829 | 212,195 |
| Transmitter deferred reimbursement | 2,022,546 | 1,880,374 |
| Other long-term liabilities, net | <u>686,956</u> | <u>812,579</u> |
| Total liabilities | <u>7,400,634</u> | <u>7,576,299</u> |
| Net Assets | | |
| Without donor restrictions: | | |
| Undesignated | 17,186,658 | 14,291,307 |
| Board designated - quasi-endowment | <u>4,671,484</u> | <u>2,308,985</u> |
| Total without donor restrictions | 21,858,142 | 16,600,292 |
| With donor restrictions | <u>2,097,324</u> | <u>2,161,716</u> |
| Total net assets | <u>23,955,466</u> | <u>18,762,008</u> |
| Total liabilities and net assets | <u>\$ 31,356,100</u> | <u>\$ 26,338,307</u> |

See notes to financial statements

Detroit Educational Television Foundation

Statements of Activities

Years Ended June 30, 2021 and 2020

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>2021 Total</u> | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>2020 Total</u> |
|--|---------------------------------------|------------------------------------|-----------------------|---------------------------------------|------------------------------------|-----------------------|
| Revenues, Gains and Other Support | | | | | | |
| Individual contributions | \$ 9,671,156 | \$ - | \$ 9,671,156 | \$ 9,519,754 | \$ - | \$ 9,519,754 |
| Production of local and national programs | 1,939,030 | 771,140 | 2,710,170 | 1,543,861 | 1,554,961 | 3,098,822 |
| Corporation for Public Broadcasting grants | 2,773,952 | - | 2,773,952 | 2,076,954 | - | 2,076,954 |
| Federal and state government grants | 2,997,256 | 541,980 | 3,539,236 | 111,370 | - | 111,370 |
| Corporate contributions | 1,560,152 | - | 1,560,152 | 1,022,797 | - | 1,022,797 |
| Foundation contributions | 430,131 | 100,000 | 530,131 | 625,380 | 90,000 | 715,380 |
| Facilities rental | 750,926 | - | 750,926 | 390,170 | - | 390,170 |
| Retail product sales | 102,344 | - | 102,344 | 122,968 | - | 122,968 |
| Special events, net | - | - | - | 215,307 | - | 215,307 |
| Investment income, net | 859,186 | 1,145 | 860,331 | 17,585 | (1,145) | 16,440 |
| Miscellaneous | 802,652 | - | 802,652 | 299,171 | - | 299,171 |
| Paycheck Protection Program contribution | 521,623 | - | 521,623 | 808,777 | - | 808,777 |
| Net assets released from restrictions | 1,478,657 | (1,478,657) | - | 1,460,579 | (1,460,579) | - |
| Total revenues, gains and other support | <u>23,887,065</u> | <u>(64,392)</u> | <u>23,822,673</u> | <u>18,214,673</u> | <u>183,237</u> | <u>18,397,910</u> |
| Expenses | | | | | | |
| Program Services: | | | | | | |
| Engagement and outreach | 1,188,621 | - | 1,188,621 | 1,018,864 | - | 1,018,864 |
| Production and content creation | 5,203,899 | - | 5,203,899 | 4,315,988 | - | 4,315,988 |
| Broadcast | 5,773,029 | - | 5,773,029 | 5,246,044 | - | 5,246,044 |
| Total program services | 12,165,549 | - | 12,165,549 | 10,580,896 | - | 10,580,896 |
| Support Services: | | | | | | |
| Administration and general | 2,366,130 | - | 2,366,130 | 2,546,225 | - | 2,546,225 |
| Fundraising | 4,097,536 | - | 4,097,536 | 4,470,784 | - | 4,470,784 |
| Total expenses | <u>18,629,215</u> | <u>-</u> | <u>18,629,215</u> | <u>17,597,905</u> | <u>-</u> | <u>17,597,905</u> |
| Change in net assets | 5,257,850 | (64,392) | 5,193,458 | 616,768 | 183,237 | 800,005 |
| Net Assets, Beginning | <u>16,600,292</u> | <u>2,161,716</u> | <u>18,762,008</u> | <u>15,983,524</u> | <u>1,978,479</u> | <u>17,962,003</u> |
| Net Assets, Ending | <u>21,858,142</u> | <u>2,097,324</u> | <u>23,955,466</u> | <u>16,600,292</u> | <u>2,161,716</u> | <u>18,762,008</u> |

See notes to financial statements

Detroit Educational Television Foundation

Statement of Functional Expenses
Year Ended June 30, 2021

| | Engagement and Outreach | Production and Content Creation | Broadcast | Total Program | Administration and General | Fundraising | Total |
|---|----------------------------|---------------------------------------|---------------------|----------------------|-------------------------------|---------------------|----------------------|
| Salaries, benefits, and taxes | \$ 483,349 | \$ 2,717,354 | \$ 1,148,096 | \$ 4,348,799 | \$ 1,492,886 | \$ 1,237,353 | \$ 7,079,038 |
| Retail product sales | - | 82,136 | - | 82,136 | - | - | 82,136 |
| Royalties | - | 4,722 | - | 4,722 | - | - | 4,722 |
| Program acquisition | - | 62,788 | 2,695,890 | 2,758,678 | - | - | 2,758,678 |
| Premium and donor supply | - | - | - | - | 35 | 507,530 | 507,565 |
| Advertising and promotion | 5,294 | 22,247 | - | 27,541 | 87,457 | 32,650 | 147,648 |
| Purchased services | 433,426 | 1,381,994 | 790,265 | 2,605,685 | 356,443 | 1,554,368 | 4,516,496 |
| Technology and data processing | 109,114 | 89,459 | 72,226 | 270,799 | 45,379 | 206,947 | 523,125 |
| Occupancy | 55,532 | 217,988 | 415,007 | 688,527 | 74,402 | 72,515 | 835,444 |
| Maintenance, repairs and equipment | 33,809 | 166,737 | 30,782 | 231,328 | 35,933 | 41,056 | 308,317 |
| Postage and shipping | 27 | 7,642 | 114 | 7,783 | 60,291 | 105,360 | 173,434 |
| Travel | 205 | 6,109 | 35 | 6,349 | 4,723 | 287 | 11,359 |
| Staff training and development | 3,085 | 9,133 | 8,178 | 20,396 | 27,570 | 5,417 | 53,383 |
| Stationery and supplies | 4,604 | 131,898 | 7,565 | 144,067 | 37,510 | 33,539 | 215,116 |
| Interest, currency exchange and bank fees | - | - | - | - | 68,934 | 193,077 | 262,011 |
| Miscellaneous | - | 18,349 | 1,133 | 19,482 | 14,472 | 33,623 | 67,577 |
| Depreciation and amortization | 60,176 | 285,343 | 603,738 | 949,257 | 60,095 | 73,814 | 1,083,166 |
| Total expenses | \$ 1,188,621 | \$ 5,203,899 | \$ 5,773,029 | \$ 12,165,549 | \$ 2,366,130 | \$ 4,097,536 | \$ 18,629,215 |

See notes to financial statements

Detroit Educational Television Foundation

Statement of Functional Expenses
Year Ended June 30, 2020

| | Engagement and Outreach | Production and Content Creation | Broadcast | Total Program | 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 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 |
| Interest, 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 expenses | \$ 1,018,864 | \$ 4,315,988 | \$ 5,246,044 | \$ 10,580,896 | \$ 2,546,225 | \$ 4,470,784 | \$ 17,597,905 |

See notes to financial statements

Detroit Educational Television Foundation

Statements of Cash Flows
Years Ended June 30, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Cash Flow From Operating Activities | | |
| Change in net assets | \$ 5,193,458 | \$ 800,005 |
| Adjustments to reconcile change in net assets to net cash flows from operating activities: | | |
| Depreciation and amortization | 1,083,166 | 1,015,792 |
| (Gain) loss on sale of property and equipment | (20,300) | (89,000) |
| Noncash change in equipment liability | (35,366) | (35,366) |
| Net realized and unrealized (gain) loss on investments | (876,926) | 66,707 |
| Change in pledge discount | (3,236) | (43,127) |
| Changes in assets and liabilities: | | |
| Trade accounts receivable | 49,284 | 179,066 |
| Pledges receivable | 329,446 | 702,357 |
| Inventory | (27,691) | (2,352) |
| Prepaid expenses and other | (459,085) | 24,192 |
| Accounts payable | (136,929) | 388,764 |
| Accrued liabilities and other | 608,447 | (213,365) |
| Paycheck Protection Program refundable advance | (521,623) | 343,216 |
| | <u>5,182,645</u> | <u>3,136,889</u> |
| Cash Flows From Investing Activities | | |
| Purchase of property and equipment | (1,232,563) | (2,120,937) |
| Proceeds from disposition of property and equipment | 20,300 | 89,000 |
| Purchases of investments | (3,920,762) | (278,383) |
| Proceeds from sales and maturities of investments | 2,296,770 | 150,767 |
| | <u>(2,836,255)</u> | <u>(2,159,553)</u> |
| Cash Flows From Financing Activities | | |
| FCC transmitter reimbursement | 186,762 | 1,224,689 |
| Payments on long-term debt | (151,333) | (151,334) |
| Payments on other long-term liabilities | (150,000) | (150,000) |
| Proceeds from Paycheck Protection Program | - | 178,407 |
| | <u>(114,571)</u> | <u>1,101,762</u> |
| Net cash flows from operating activities | <u>5,182,645</u> | <u>3,136,889</u> |
| Net cash flows from investing activities | <u>(2,836,255)</u> | <u>(2,159,553)</u> |
| Net cash flows from financing activities | <u>(114,571)</u> | <u>1,101,762</u> |
| Net change in cash and cash equivalents | 2,231,819 | 2,079,098 |
| CASH AND CASH EQUIVALENTS, Beginning | <u>5,598,196</u> | <u>3,519,098</u> |
| CASH AND CASH EQUIVALENTS, Ending | <u>\$ 7,830,015</u> | <u>\$ 5,598,196</u> |
| Supplemental Cash Flow Disclosures | | |
| Cash paid for interest | <u>\$ 37,781</u> | <u>\$ 77,136</u> |

See notes to financial statements

Detroit Educational Television Foundation

Notes to Financial Statements
June 30, 2021 and 2020

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 and retail sales, as follows:

| | 2021 |
|---------------------|----------------|
| Underwriting | \$ 163,774 |
| Grants | 254,931 |
| Rentals | 95,857 |
| Production services | 34,817 |
| Retail sales | 9,213 |
| Total | <u>558,592</u> |

Accounts receivable is stated at billed amounts. In 2020, trade accounts receivable were reported net of an allowance for doubtful accounts to represent the Foundation's estimate of inherent losses, if any, at the statement of financial position date and the amount that will ultimately be collectible. The Foundation analyzed the receivables and recorded a provision for uncollectible accounts based on prior collection experience. The allowance for doubtful accounts was \$58,396 as of June 30, 2020. In 2021, with the adoption of Financial Accounting Standards Board (FASB) Accounting Standard Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), contracts from revenues that are considered exchange transactions are recorded 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.

Detroit Educational Television Foundation

Notes to Financial Statements
June 30, 2021 and 2020

Pledges Receivable

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 pledges receivable were determined to be fully collectible at June 30, 2021 and 2020.

Inventory

Inventory, consists 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 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. Accumulated amortization as of June 30, 2021 and 2020 was \$600,000 and \$450,000, 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.

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, 2021 and 2020.

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.

Detroit Educational Television Foundation

Notes to Financial Statements
June 30, 2021 and 2020

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.

Revenue Recognition

Revenue streams that are considered to be exchange transactions consist of production services income, program licensing income and retail product sales. Prior to the adoption of ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* and the related amendments, revenue was recognized when it was realized or realizable and earned.

The Foundation adopted the new standard effective for the Foundation's fiscal year beginning July 1, 2020 using the modified retrospective approach and applied the guidance to all contracts at the date of initial application of the standard. ASU No. 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers in an amount that reflects the expected consideration received in exchange for those goods or services. The adoption of ASU No. 2014-09 did not have a significant impact on the financial statements but disclosures related to revenue recognition were enhanced.

With the adoption of ASU No. 2014-09, 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 \$1,130,000 for the year ending June 30, 2021 and is included in production of local and national programs in the statements of activities. There were no contract liabilities as of 2021. 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 \$99,000 for the year ending June 30, 2021 and is included in production of local and national programs in the statements of activities. There were no accounts receivable or contract liabilities as of June 30, 2021. 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 \$102,000 for the year ending June 30, 2021. There were no contract liabilities as of June 30, 2021. Product sales on consignment are paid 45 days from the end of the month during which products were sold, less consignment fees.

Detroit Educational Television Foundation

Notes to Financial Statements
June 30, 2021 and 2020

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 \$253,750 and \$13,500 as of June 30, 2021 and 2020, respectively. The Foundation receives contributions from board members who are considered related parties. Approximately \$90,000 and \$95,000 was received from related parties in the years ending June 30, 2021 and 2020, respectively. Related party receivables were approximately \$22,000 and \$35,000 in the years ended June 30, 2021 and 2020, 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.

Reclassifications

For comparability, certain 2020 amounts have been reclassified to conform with classifications adopted in 2021. The reclassifications have no effect on reported amounts of net assets or change in net assets.

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.

Detroit Educational Television Foundation

Notes to Financial Statements
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New Accounting Pronouncements

During February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the statement of financial position. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. FASB has issued subsequent standards that deferred the implementation date. Topic 842 (as amended) is effective for annual periods beginning after December 15, 2021 (2023). Early adoption is permitted. The Foundation is currently assessing the effect that ASU No. 2016-02 (as amended) will have on its financial statements.

During March 2020, FASB issued ASU No. 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. ASU No. 2020-04 provides optional expedients and exceptions for applying generally accepted accounting principles (GAAP) to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform, if certain criteria are met. Entities may elect the optional expedients and exceptions included in ASU No. 2020-04 as of March 12, 2020 and through December 31, 2022. The Foundation is currently assessing the effect that electing the optional expedients and exceptions included in ASU No. 2020-04 will have on its financial statements.

During September 2020, FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The standard will be required to be applied retrospectively for annual periods beginning after June 15, 2021 (2022). The Foundation is currently assessing the effect that ASU No. 2020-07 will have on its financial statements.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including September 22, 2021, which is the date the financial statements were available to be issued.

In August 2021, the Foundation began marketing the Riley Broadcast Center building and related property for sale to explore options available for a potential new headquarters. The combined list price for the building and property was \$12,950,000 with a net book value, including improvements, of \$10,168,000 as of June 30, 2021.

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.

Detroit Educational Television Foundation

Notes to Financial Statements
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The following tables present information about the Foundation's assets measured at fair value on a recurring basis at June 30, 2021 and 2020 and the valuation techniques used by the Foundation to determine those fair values. 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.

The tables below present the balances of assets measured at fair value on a recurring basis by level within the hierarchy.

| | June 30, 2021 | | | |
|-----------------------------|----------------------|---------------------|----------------|----------------|
| | Total | Level 1 | Level 2 | Level 3 |
| Investments: | | | | |
| Mutual funds - Equity | \$ 3,384,351 | \$ 3,384,351 | \$ - | \$ - |
| Mutual funds - Fixed-income | 1,319,457 | 1,319,457 | - | - |
| Total | <u>4,703,808</u> | <u>\$ 4,703,808</u> | <u>\$ -</u> | <u>\$ -</u> |
| Money market accounts | <u>1,068,296</u> | | | |
| Total assets at fair value | <u>\$ 5,772,104</u> | | | |

| | June 30, 2020 | | | |
|-----------------------------|----------------------|---------------------|----------------|----------------|
| | Total | Level 1 | Level 2 | Level 3 |
| Investments: | | | | |
| Mutual funds - Equity | \$ 2,081,646 | \$ 2,081,646 | \$ - | \$ - |
| Mutual funds - Fixed-income | 1,083,238 | 1,083,238 | - | - |
| Total | <u>3,164,884</u> | <u>\$ 3,164,884</u> | <u>\$ -</u> | <u>\$ -</u> |
| Money market accounts | <u>106,302</u> | | | |
| Total assets at fair value | <u>\$ 3,271,186</u> | | | |

Detroit Educational Television Foundation

Notes to Financial Statements
June 30, 2021 and 2020

4. Pledges Receivable

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

| | <u>2021</u> | <u>2020</u> |
|---------------------------|---------------------|---------------------|
| Pledges receivable | \$ 1,464,575 | \$ 1,794,021 |
| Less unamortized discount | <u>(9,914)</u> | <u>(13,150)</u> |
| Net pledges receivable | <u>\$ 1,454,661</u> | <u>\$ 1,780,871</u> |
| Amounts due in: | | |
| Less than one year | \$ 1,233,998 | \$ 1,302,445 |
| One to five years | <u>230,577</u> | <u>491,576</u> |
| Total pledges receivable | <u>\$ 1,464,575</u> | <u>\$ 1,794,021</u> |

The discount rate associated with pledges made in 2021 and 2020 was 1.82% and 4.15%, respectively.

5. 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, 2021 and 2020.

Detroit Educational Television Foundation

Notes to Financial Statements
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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, 2021 and 2020 in association with this transaction:

| | <u>2021</u> | <u>2020</u> |
|-----------------------------------|-------------------|-------------------|
| Right to use WRCJ license - Gross | \$ 1,500,000 | \$ 1,500,000 |
| Present value discount | (63,044) | (87,421) |
| Accumulated amortization | <u>(600,000)</u> | <u>(450,000)</u> |
| Other assets - Net | <u>\$ 836,956</u> | <u>\$ 962,579</u> |
| Liability to DPS - Gross | \$ 900,000 | \$ 1,050,000 |
| Present value discount | <u>(63,044)</u> | <u>(87,421)</u> |
| Total liability to DPS - Net | 836,956 | 962,579 |
| Amount due within one year | <u>(150,000)</u> | <u>(150,000)</u> |
| Other long-term liabilities | <u>\$ 686,956</u> | <u>\$ 812,579</u> |

6. Property and Equipment

Property and equipment are summarized as follows:

| | <u>2021</u> | <u>2020</u> | <u>Depreciable Life - Years</u> |
|-------------------------------------|----------------------|----------------------|-------------------------------------|
| Land | \$ 2,539,173 | \$ 2,539,173 | - |
| Land improvements | 147,497 | 98,952 | 10-15 |
| Buildings and building improvements | 12,345,332 | 12,316,499 | 7-40 |
| Broadcast and production equipment | 11,290,027 | 10,318,170 | 2-10 |
| Office equipment | <u>869,197</u> | <u>865,578</u> | 3-5 |
| Total cost | 27,191,226 | 26,138,372 | |
| Accumulated depreciation | <u>(12,986,378)</u> | <u>(12,232,921)</u> | |
| Net property and equipment | <u>\$ 14,204,848</u> | <u>\$ 13,905,451</u> | |

Depreciation expense for the years June 30, 2021 and 2020 was \$933,166 and \$865,792, respectively.

Detroit Educational Television Foundation

Notes to Financial Statements
June 30, 2021 and 2020

7. 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, 2021 and 2020, the Foundation accrued approximately \$3,000 and \$20,000, respectively, in royalties under these agreements.

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. During the years ended June 30, 2021 and 2020, the Foundation received reimbursements for the cost of equipment totaling \$445,905 and \$1,275,290, 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.

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, 2021 and 2020, the net book value of this equipment was \$212,195 and \$247,561, respectively, and was recorded as an asset included in property and equipment on the statements of financial position.

10. Long-Term Debt

The Foundation entered into a term loan credit agreement 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 (1.875 percent and 2.00 percent at June 30, 2021 and 2020, respectively). Principal payments are made quarterly in the amount of \$37,833. The note is collateralized by all personal property of the Foundation. In addition, the Foundation is subject to meeting certain restrictions and covenants. The Foundation represents that it is in compliance with all covenants as of June 30, 2021 and 2020. Interest expense for the year ending June 30, 2021 and 2020 was \$37,781 and \$71,114, respectively.

Principal requirements on the loan payable for the years ending after June 30, 2021 are as follows:

| <u>Years Ending</u> | <u>Amount</u> |
|---------------------|---------------------|
| 2022 | \$ 151,333 |
| 2023 | 1,702,500 |
| Total | <u>\$ 1,853,833</u> |

Detroit Educational Television Foundation

Notes to Financial Statements
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11. Line of Credit

The Foundation has 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 1.875 percent and 2.000 percent at June 30, 2021 and 2020, respectively. There was no outstanding balance against the line of credit at June 30, 2021 and 2020.

12. Net Assets with Donor Restrictions

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

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Subject to expenditures for a specified purpose - production funding | | |
| One Detroit Initiative | \$ 269,624 | \$ 255,720 |
| Great Lakes Now Initiative | 210,533 | 539,779 |
| Early Childhood Initiative | 551,906 | 1,134,294 |
| Michigan Learning Channel | 541,980 | - |
| Production of National and Local Program content | 191,463 | 1,250 |
| | <u>1,765,506</u> | <u>1,931,043</u> |
| Total subject to expenditures for a specified purpose - production funding | | |
| Subject to the passage of time - Operating funding | 190,000 | 90,000 |
| Subject to the Foundation's spending policy and appropriation - permanent donor-restricted endowment | 80,270 | 79,125 |
| Subject to appropriation and expenditures when a specified event occurs - charitable gift annuity | 61,548 | 61,548 |
| | <u>61,548</u> | <u>61,548</u> |
| | <u>\$ 2,097,324</u> | <u>\$ 2,161,716</u> |
| Total | | |

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.

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Notes to Financial Statements
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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:

| | 2021 | | |
|--|-------------------------------|----------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Board-designated quasi-endowment fund | \$ 4,671,484 | \$ - | \$ 4,671,484 |
| Donor-restricted endowment funds - Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor | - | 80,270 | 80,270 |
| | <u>\$ 4,671,484</u> | <u>\$ 80,270</u> | <u>\$ 4,751,754</u> |

| | 2020 | | |
|--|-------------------------------|----------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Board-designated quasi-endowment fund | \$ 2,308,985 | \$ - | \$ 2,308,985 |
| 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 | - | (1,145) | - |
| | <u>\$ 2,308,985</u> | <u>\$ 79,125</u> | <u>\$ 2,388,110</u> |

Changes in Endowment Net Assets for the fiscal year ended June 30:

| | 2021 | | |
|---|-------------------------------|----------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Endowment net assets - Beginning of year | \$ 2,308,985 | \$ 79,125 | \$ 2,388,110 |
| Investment return: | | | |
| Investment income | 19,663 | - | 19,663 |
| Net appreciation (realized and unrealized) | 681,467 | 1,145 | 682,612 |
| Total investment return | 701,130 | 1,145 | 702,275 |
| Transfers to create board-designated endowment funds | 1,661,369 | - | 1,661,369 |
| Endowment net assets - End of year | <u>\$ 4,671,484</u> | <u>\$ 80,270</u> | <u>\$ 4,751,754</u> |

Detroit Educational Television Foundation

Notes to Financial Statements
June 30, 2021 and 2020

| | 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 |

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 \$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, 2021.

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 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.

Detroit Educational Television Foundation

Notes to Financial Statements
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14. 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, 2021 and 2020 were \$14,143, per month.

The Foundation also leases other miscellaneous equipment. Monthly payments on these leases range from \$180 to \$910 with various expiration dates through 2026.

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

| Years Ended | |
|--------------------|---------------------|
| June 30 | Amount |
| 2022 | \$ 216,452 |
| 2023 | 192,699 |
| 2024 | 183,146 |
| 2025 | 185,299 |
| 2026 | 185,686 |
| Thereafter | 569,421 |
| Total | <u>\$ 1,532,703</u> |

Rent expense was approximately \$220,000 and \$210,000 for the years ended June 30, 2021 and 2020, respectively.

15. 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 2021 and 2020, the Foundation contributed 1 and 3 percent, respectively, of each participating employee's annual compensation. In 2021, the Foundation also made a one-time discretionary matching contribution of 4 percent of each eligible participating employee's compensation for the period January 1, 2021 through June 30, 2021.

Certain employees also participate in a pension plan administered by the Directors Guild of America (DGA). In 2020, the Foundation contributed 5.5 percent of each participating employee's compensation. In 2021, the Foundation increased the contribution rate to 6.5 percent per the DGA bargaining unit agreement.

The Foundation contributed approximately \$150,000 and \$160,000 to the two plans during June 30, 2021 and 2020, respectively.

Detroit Educational Television Foundation

Notes to Financial Statements

June 30, 2021 and 2020

16. 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:

| | <u>2021</u> | <u>2020</u> |
|---|-------------------------|-------------------------|
| Cash and cash equivalents | \$ 7,830,015 | \$ 5,598,196 |
| Investments | 5,772,104 | 3,271,186 |
| Current accounts and pledges receivable | 1,792,590 | 1,910,321 |
| Less: Board-designated quasi-endowment | (4,671,484) | (2,308,985) |
| Net assets with donor restrictions | <u>(2,097,324)</u> | <u>(2,161,716)</u> |
| Total | <u>\$ 8,625,901</u> | <u>\$ 6,309,002</u> |

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 \$1,100,000, as detailed in Note 11. Additionally, funds could be made available from the Board-designated quasi-endowment (with board approval) if necessary.

17. Paycheck Protection Program Loan

In fiscal year 2020, the Foundation received loan proceeds in the amount of \$1,330,400 under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act which is administered by the Small Business Administration (SBA). The loan was uncollateralized and guaranteed by the SBA and was forgivable upon meeting certain criteria. Any unforgiven portion was payable over 2 years at an interest rate of 1%.

The Foundation recorded the loan as a conditional contribution and, at June 30, 2020, determined it has satisfied the conditions to achieve forgiveness of \$808,777 of the loan balance. The remaining balance of the PPP funds received is included within the statements of financial position as a refundable advance as of June 30, 2020. In fiscal year 2021, the Foundation met the PPP's loan forgiveness requirements applied for forgiveness. Legal release was received during May 2021 and the Foundation recognized the remaining refundable advance as revenue within the statements of activities for the year ended June 30, 2021.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the Coronavirus Aid, Relief, and Economic Security (CARES) Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

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, 2021 with comparative totals for 2020

| | <u>WTVS</u> | <u>WRCJ</u> | <u>Total</u> | |
|---|----------------------|---------------------|----------------------|----------------------|
| | | | <u>2021</u> | <u>2020</u> |
| Assets | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | \$ 4,308,656 | \$ 3,521,359 | \$ 7,830,015 | \$ 5,598,196 |
| Investments | 5,772,104 | - | 5,772,104 | 3,271,186 |
| Trade accounts receivable | (683,469) | 1,242,061 | 558,592 | 607,876 |
| Pledges receivable, net | 1,233,998 | - | 1,233,998 | 1,302,445 |
| Inventory | 53,251 | - | 53,251 | 25,560 |
| Prepaid expenses and other assets | 626,232 | 19,441 | 645,673 | 186,588 |
| Total current assets | 11,310,772 | 4,782,861 | 16,093,633 | 10,991,851 |
| Pledges receivable - long-term, net | 102,409 | 118,254 | 220,663 | 478,426 |
| Other assets - long-term, net | - | 836,956 | 836,956 | 962,579 |
| Property and equipment | 13,992,652 | 212,196 | 14,204,848 | 13,905,451 |
| Total assets | <u>\$ 25,405,833</u> | <u>\$ 5,950,267</u> | <u>\$ 31,356,100</u> | <u>\$ 26,338,307</u> |
| Liabilities and Net Assets | | | | |
| Current Liabilities | | | | |
| Accounts payable | \$ 798,750 | \$ 28,590 | \$ 827,340 | \$ 964,269 |
| Accrued liabilities and other | 1,352,882 | 35,739 | 1,388,621 | 780,174 |
| Current portion of transmitter deferred reimbursement | 259,143 | - | 259,143 | 214,553 |
| 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 liabilities | - | 150,000 | 150,000 | 150,000 |
| Total current liabilities | 2,562,108 | 249,695 | 2,811,803 | 2,295,695 |
| Long-Term Liabilities | | | | |
| Long-term debt | 1,702,500 | - | 1,702,500 | 1,853,833 |
| Paycheck Protection Program refundable advance | - | - | - | 521,623 |
| Equipment liability | - | 176,829 | 176,829 | 212,195 |
| Transmitter deferred reimbursement | 2,022,546 | - | 2,022,546 | 1,880,374 |
| Other long-term liabilities, net | - | 686,956 | 686,956 | 812,579 |
| Total liabilities | <u>6,287,154</u> | <u>1,113,480</u> | <u>7,400,634</u> | <u>7,576,299</u> |
| Net Assets | | | | |
| Without donor restrictions | 17,061,355 | 4,796,787 | 21,858,142 | 16,600,292 |
| With donor restrictions | 2,057,324 | 40,000 | 2,097,324 | 2,161,716 |
| Total net assets | <u>19,118,679</u> | <u>4,836,787</u> | <u>23,955,466</u> | <u>18,762,008</u> |
| Total liabilities and net assets | <u>\$ 25,405,833</u> | <u>\$ 5,950,267</u> | <u>\$ 31,356,100</u> | <u>\$ 26,338,307</u> |

Detroit Educational Television Foundation

Statements of Activities by Broadcasting Entity

Year Ended June 30, 2021 with comparative totals for 2020

| | WTVS | WRCJ | Total | |
|--|----------------------|---------------------|----------------------|----------------------|
| | | | 2021 | 2020 |
| Changes in Net Assets without Donor Restrictions | | | | |
| Revenue, gains and other support: | | | | |
| Individual contributions | \$ 8,196,063 | \$ 1,475,093 | \$ 9,671,156 | \$ 9,519,754 |
| Production of local and national programs | 1,939,030 | - | 1,939,030 | 1,543,861 |
| Corporation for Public Broadcasting grants | 2,507,308 | 266,644 | 2,773,952 | 2,076,954 |
| Federal and state government grants | 2,947,256 | 50,000 | 2,997,256 | 111,370 |
| Corporate contributions | 1,452,000 | 108,152 | 1,560,152 | 1,022,797 |
| Foundation contributions | 395,255 | 34,876 | 430,131 | 625,380 |
| Facilities rental | 750,926 | - | 750,926 | 390,170 |
| Retail product sales | 102,344 | - | 102,344 | 122,968 |
| Special events | - | - | - | 215,307 |
| Investment income, net | 853,763 | 5,423 | 859,186 | 17,585 |
| Miscellaneous | 767,154 | 35,498 | 802,652 | 299,171 |
| Paycheck Protection Program contribution | 510,383 | 11,240 | 521,623 | 808,777 |
| Net assets released from restrictions | 1,478,657 | - | 1,478,657 | 1,460,579 |
| Total revenue, gains other support | 21,900,139 | 1,986,926 | 23,887,065 | 18,214,673 |
| Expenses | | | | |
| Program services: | | | | |
| Engagement and outreach | 1,132,217 | 56,404 | 1,188,621 | 1,018,864 |
| Production and content creation | 5,203,899 | - | 5,203,899 | 4,315,988 |
| Broadcast | 4,773,435 | 999,594 | 5,773,029 | 5,246,044 |
| Total program services | 11,109,551 | 1,055,998 | 12,165,549 | 10,580,896 |
| Support services | | | | |
| Administrative and general | 2,109,547 | 256,583 | 2,366,130 | 2,546,225 |
| Fundraising | 3,695,140 | 402,396 | 4,097,536 | 4,470,784 |
| Total expenses | 16,914,238 | 1,714,977 | 18,629,215 | 17,597,905 |
| Increase in Net Assets without Donor Restrictions | 4,985,901 | 271,949 | 5,257,850 | 616,768 |
| Changes in Net Assets with Donor Restrictions | | | | |
| Contributions | 1,413,120 | - | 1,413,120 | 1,644,961 |
| Investment income, net | 1,145 | - | 1,145 | (1,145) |
| Net assets released from restrictions | (1,478,657) | - | (1,478,657) | (1,460,579) |
| Increase (Decrease) in Net Assets with Donor Restrictions | (64,392) | - | (64,392) | 183,237 |
| Change in net assets | 4,921,509 | 271,949 | 5,193,458 | 800,005 |
| Net Assets, Beginning | 14,197,170 | 4,564,838 | 18,762,008 | 17,962,003 |
| Net Assets, Ending | \$ 19,118,679 | \$ 4,836,787 | \$ 23,955,466 | \$ 18,762,008 |