

**WUOM/WVGR/WFUM
(A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE UNIVERSITY OF MICHIGAN)**

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 and 2013
with
INDEPENDENT AUDITOR'S REPORT**

WUOM/WVGR/WFUM
(A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE UNIVERSITY OF MICHIGAN)

June 30, 2014 and 2013

	Page(s)
Independent Auditor's Report	1-2
Management's Discussion and Analysis (Unaudited)	3-16
Financial Statements:	
Statement of Net Position	17
Statement of Revenues, Expenses and Changes in Net Position	18
Statement of Cash Flows	19-20
Notes to Financial Statements	21-32
Supplementary Information:	
Report of Independent Auditors on Supplementary Information	33
Schedule of Functional Expenses	34-35



Independent Auditor's Report

The Regents of the University of Michigan

We have audited the accompanying financial statements of WUOM/WVGR/WFUM ("Michigan Radio"), which consists of certain departments of the University of Michigan, as of and for the years ended June 30, 2014 and 2013 and the related notes to the financial statements which collectively comprise the statements of net position and the related statements of revenues, expenses and changes in net position and cash flows.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 our 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, we consider internal control relevant to Michigan Radio'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 Michigan Radio'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 Michigan Radio at June 30, 2014 and 2013, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As discussed in Note 1, the financial statements of Michigan Radio present only the net position, revenues, expenses and changes in net position, and cash flows of that portion of the financial reporting entity of the University of Michigan that is attributable to the transactions of Michigan Radio. They do not purport to, and do not, present fairly the financial position of the University of Michigan at June 30, 2014 and 2013, and the changes in its financial position or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis on pages 3 through 16 is required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

PricewaterhouseCoopers LLP

December 19, 2014

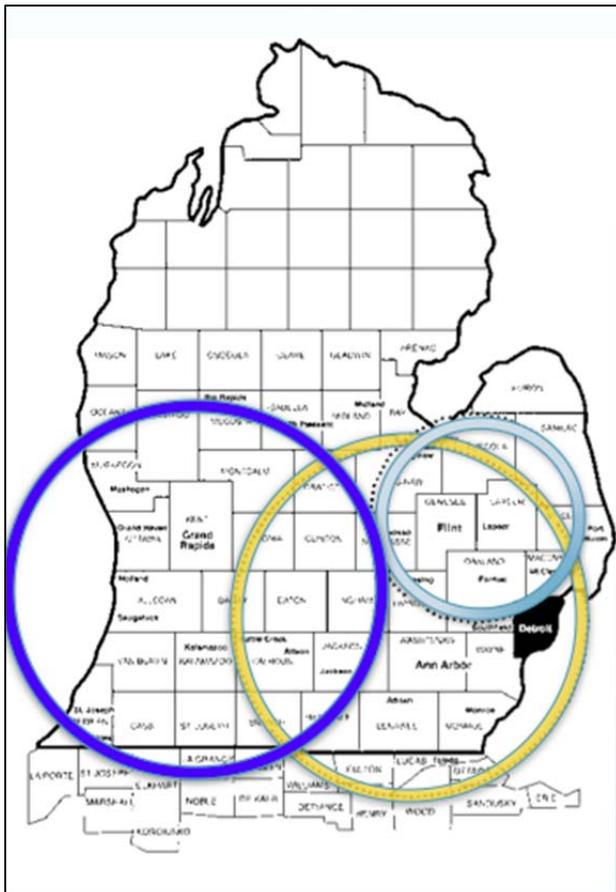
WUOM/WVGR/WFUM
(A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE UNIVERSITY OF MICHIGAN)

Management’s Discussion and Analysis (Unaudited)

Introduction

The following discussion and analysis provides an overview of the financial position of WUOM/WVGR/WFUM (“Michigan Radio”) at June 30, 2014 and 2013 and its activities for the three fiscal years ended June 30, 2014. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Michigan Radio is a network of three public radio stations in southern Michigan licensed by the Federal Communications Commission and operates under the control of the Regents of the University of Michigan (the “University”) through its Michigan Public Media unit. Michigan Radio, a founding member of National Public Radio (“NPR”), broadcasts its award-winning news and information programming 24 hours a day.



- With its main studios located in Ann Arbor, Michigan Radio comprises: WUOM - Ann Arbor (91.7 FM, 93 KW), WVGR - Grand Rapids (104.1 FM, 96 KW) and WFUM - Flint (91.1 FM, 17.5 KW). All three signals also offer their markets a high definition (“HD”) stereo simulcast of Michigan Radio on HD-1 signals. Combined, the three stations provide service to most of the southern two-thirds of Michigan’s Lower Peninsula.
- In 2014, Michigan Radio continues to be the most listened to public radio service in Michigan, with approximately 523,200 listeners each week. (Source: National Regional Database, Nielsen Audio, Fall 2013, Persons 12+, M-Su 6a-12m)

WUOM/WVGR/WFUM
(A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE UNIVERSITY OF MICHIGAN)

Management’s Discussion and Analysis (Unaudited)--Continued

Michigan Radio serves as a vital outlet for the southern Michigan region by providing a premier radio service of noncommercial news, talk and entertainment programming. With well-known national programs from NPR, Public Radio International and American Public Media, Michigan Radio provides a distinctive combination of national and local programming to a statewide audience of 523,200 broadcast listeners each week from its studios in Ann Arbor and news bureaus in Detroit, Grand Rapids and mid-Michigan.

In the digital space, Michigan Radio offers its online portal, michiganradio.org and audio streaming service. The access to news and information content on these essential platforms allows Michigan Radio to serve an audience beyond the broadcast signal, throughout the state and the globe. In 2014, traffic to michiganradio.org topped 2.1 million unique visitors per year according to Google Analytics reports, with over 6.7 million page views. Unique visitors increased by 18 percent compared to the previous year.

Michigan Radio’s online audio streaming audience continues to grow to new levels. In 2014, audio streaming posted 7.1 percent growth in unique users served monthly, to a new average high of 110,000. The online streaming audience is reflecting growth through the broad adoption of smart phones and other digital devices that access the station’s program service across the continental U.S. and worldwide. During 2014, 51 percent of the overall online unique visitors originated in the state of Michigan, according to the verified Google Analytics reports. As we assess the growing impact of the digital space for consumption of content, both text and audio, we are informed by results from the 6th annual Public Radio Technology Survey (“PRTS6”) from Jacobs Media in Southfield, MI, which documents the critical role of a vital online presence. Overall, for public media users/listeners, streaming – both audio and video – continues to grow at rapid space. On a weekly basis, 61 percent of users access online video and 49 percent now stream audio every week. Similarly, 71 percent of PRTS6 respondents own a smartphone, while 56 percent carry a tablet. Michigan Radio participates in this annual survey by the opt-in of our email database of listeners in the survey group.



The Michigan Radio social media channels experienced dramatic growth during 2014. The station’s Facebook page (MichiganRadio) “likes” totaled over 30,000 as of June 30, 2014. This is a 38 percent increase over the previous year.



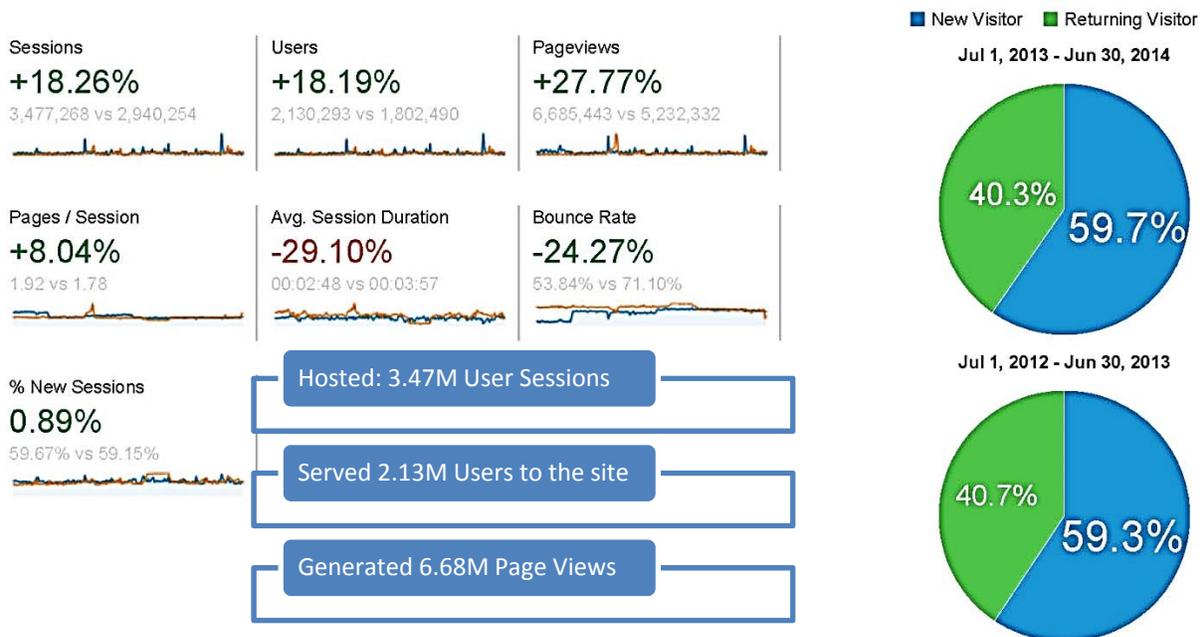
Our Twitter (@michiganradio) channel followers totaled almost 26,000 as of June 30, 2014, a 14 percent increase over the previous year. A newer measurement that gives us a better idea of engagement includes retweets, items favorited and clicks through to the Michigan Radio website. Our Twitter channel averaged over 3,000 retweets, over 1,000 items favorited and 12,000 clicks through to our website during 2014.

WUOM/WVGR/WFUM
 (A PUBLIC TELECOMMUNICATIONS ENTITY
 OPERATED BY THE UNIVERSITY OF MICHIGAN)

Management’s Discussion and Analysis (Unaudited)--Continued

Michigan Radio’s website had sustained growth over the prior year. The info graphic below depicts a performance summary of the station website michiganradio.org.

By the Numbers: michiganradio.org – Online News Portal – 2014 Performance



Source: Google analytics for the FY14 period, July 1, 2013 – June 30, 2014

Michigan Radio also continues to collaborate with NPR Digital Services to advance the presentation and access of our locally produced news content online. In fall 2013 Michigan Radio joined NPR Digital Services “Local Stories Project.” The project distributes select local stories through the NPR Facebook page, geotargeted to a station’s home market. Those stories reach a wider audience, drive more traffic back to Michigan Radio’s website and help to enhance our digital presence in our service area.

In its fourth year, the station’s custom designed Michigan Radio iPhone app continued to attract users and downloads from across the state and beyond. The most frequently accessed feature is streaming audio of our live news and information broadcast service. Additional features include the station program guide, podcast information, social media links and more. Downloads of the Michigan Radio app have grown impressively since its inception. According to our provider, Jacapps, current app usage includes 55,149 Apple and iPhone users. During its four year history, the download of the Apple app totaled 195,778.



WUOM/WVGR/WFUM
(A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE UNIVERSITY OF MICHIGAN)

Management’s Discussion and Analysis (Unaudited)--Continued

Michigan Radio continues to attract listeners in southern Michigan with important and intelligent public radio programs, including special coverage of current issues in the news, both on-air and on-line. During the past year, Michigan Radio increased coverage of the state's most pressing issues with the numerous content assets including our live, local daily talk show, adding content personnel for special project coverage and expansion of community engagement events at the same time as many local media outlets are downsizing their local and regional news coverage.



Stateside with Cynthia Canty (“*Stateside*”) marked its second anniversary of “Smart.Local.Talk.” on the station. This one-hour live, local program airing at 3 p.m. and repeated at 10 p.m., covers a wide range of Michigan news and policy issues, as well as culture and lifestyle stories.

In 2014, *Stateside* featured extensive coverage of Detroit’s financial struggles and the statewide impact of Michigan’s largest city declaring bankruptcy. *Stateside* also began partnering with the BBC World Service to explore linkages between global news and events and Michigan. In addition to the major news stories each day, *Stateside* also looks at Michigan’s arts and cultural endeavors. During the year, *Stateside* launched a partnership with Failure:Lab to broadcast stories from their performance events. In its first full calendar year, *Stateside* has become one of the station’s top weekday programs and attracts the attention of newsmakers.

Another major effort is our multi year journalism focus on education among the financially disenfranchised in the state of Michigan. Michigan Radio’s *State of Opportunity* is a multi-year reporting and outreach initiative looking at the challenges and opportunities faced by children growing up in poverty. Nearly one in four children in Michigan live in poverty. Through weekly feature reports, an online portal, quarterly documentaries, call-in shows and regular community outreach events, Michigan Radio is creating dialogue and sharing information about this important topic.

In addition to weekly features, the project has produced four in-depth documentaries, including one exploring why being male increases the odds that a child falls off track. Another project is looking at the differences between two classrooms in metro Detroit - one made up of kids whose families are mostly well-off, the other filled with kids in poverty. *State of Opportunity* also engages in numerous



Renee Howard, third-grade teacher at Congress Elementary in Grand Rapids, coaches her students on writing. (Featured in a recent State of Opportunity special report on Michigan Radio.) Credit: Dustin Dwyer, Michigan Radio

WUOM/WVGR/WFUM
(A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE UNIVERSITY OF MICHIGAN)

Management’s Discussion and Analysis (Unaudited)--Continued

community events. This year the station was proud to work with Michigan’s Children to host an event at the State Capitol where youth struggling with poverty provided testimony about their life experiences to legislators and policy makers.

In January 2014, Michigan Radio became one of the members of the Detroit Journalism Cooperative (“DJC”) that is providing shared reporting about how Detroit moves past bankruptcy. The Center for Michigan’s Bridge Magazine is the convening partner for the DJC group, which includes Detroit Public Television, Michigan Radio, WDET and New Michigan Media, a partnership of ethnic and minority newspapers. Producing enterprise and investigative journalism, Michigan Radio’s work with the DJC extends bankruptcy coverage to statewide radio and online audiences.



The journalism work of Michigan Radio continues to be honored with numerous awards. In 2014, Michigan Radio was the recipient of over 25 journalism awards from statewide, regional and national review organizations. Among those is a regional Edward R. Murrow award from the Radio Television Digital News Association for News Documentary in the Large Market Radio category for “The Education Gap,” Jennifer Guerra’s outstanding production for our *State of Opportunity* project. The station also took honors for its news website in the Large Market radio class. The Michigan Association of Broadcasters honored Michigan Radio once again as “Station of the Year,” an award Michigan Radio has won every year for the past eleven years.

The extensive list of journalism honors for Michigan Radio’s reporters and producers includes first place honors and merit awards from the Michigan Associated Press and the Michigan Association of Broadcasters. The station was also recognized with a Salute to Excellence Award from the National Association for Black Journalists and a national Clarion Award, given by the Association for Women in Communications, for the *State of Opportunity* documentary by Dustin Dwyer. Another notable award was announced for Michigan Radio’s Lindsey Smith, as she was named “Young Journalist of the Year” by the Society of Professional Journalists Detroit chapter during their annual award event in April. A complete list of these awards and topics can be found at <http://michiganradio.org/michigan-radio-awards>.

As the fiscal year concluded, Michigan Radio, in cooperation with U-M Ross School of Business professor Jeff DeGraff’s “Innovatrium,” secured \$70,000 in first-time production sponsorship funding. This financial support will fund a year long project to foster dialogue about new perspectives on the challenges and opportunities we face as Michiganders. “The Next Idea” will be an idea and opinion section of michiganradio.org that features perspectives and dialogue about the future of the state. These essays will be utilized as part of an on-air segment with the author for *Stateside*.



WUOM/WVGR/WFUM
(A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE UNIVERSITY OF MICHIGAN)

Management’s Discussion and Analysis (Unaudited)--Continued

Grant support from the foundation community and federal programs provide support for new initiatives for the station. Over the course of 2014, Michigan Radio managed ten grant projects (two federal, eight non-federal) totaling nearly \$1.6 million. This figure includes two Community Service Grants from the Corporation for Public Broadcasting (“CPB”) and a three-year grant totaling \$995,707 from the W.K. Kellogg Foundation, the single largest grant award in Michigan Radio’s history. During 2014, Michigan Radio focused on building and stewarding relationships with area foundations and developing new project plans for potential funding.

This year, Michigan Radio once again provided its listeners opportunities to engage with our public radio personalities, notable newsmakers and subject experts across the state.



“Issues & Ale” is the moniker for the Michigan Radio event series designed to provide an informal setting for people to engage in conversations about important issues facing Michigan. The popular “Issues & Ale” live discussion series continued to thrive in 2014, with 11 events. Over 1,200 people attended these discussions held in communities including Grand Rapids, Holland, Lansing, Kalamazoo, Ypsilanti, Ann Arbor and Metro Detroit. Topics ranged from Michigan politics to legacy pollution, and standardized school testing to the Affordable Care Act. These discussions helped reinforce station

programming initiatives including *The Environment Report* and *State of Opportunity*.

When it comes to entertainment events for our audience, storytelling has built a large following thanks to our public radio programs that extend their impact with local events. Michigan Radio continued hosting monthly story telling events at the Circus Bar in Ann Arbor in conjunction with *The Moth*, a weekly storytelling program heard on the station, and created by an acclaimed nonprofit organization dedicated to the art of storytelling. *The Moth* draws from real-world heroes and artists, giving them nothing more than a stage and a microphone. This bare-bones style allows for the individuals to weave their tales, sometimes funny and outrageous, other times deeply stirring and profound, and enables the audience to absorb the stories in a culturally traditional, yet singularly powerful format. In May, the station hosted The Moth Mainstage show at the Wharton Center in East Lansing, which played to a sold out audience of over 1,000.

Michigan Radio’s listenership continues to be strong, with the coverage from its three FM radio stations reaching 80 percent of Michigan’s population and listenership online through audio streaming exceeding over 110,000 unique listeners monthly. The station is proud to maintain the distinction as the most listened to public radio news and information station in the state, including the state’s two largest markets, Metro Detroit and Grand Rapids. (Source: Adults 12+, Nielsen Audio, Spring 2014, Total Survey Area, Mon. – Sun., RRC)

WUOM/WVGR/WFUM
(A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE UNIVERSITY OF MICHIGAN)

Management’s Discussion and Analysis (Unaudited)--Continued

Financial Highlights

Michigan Radio’s financial position remains strong, with assets of \$9.5 million and liabilities of \$2.1 million at June 30, 2014, compared to assets of \$9.0 million and liabilities of \$2.1 million at June 30, 2013. Net position, which represents the residual interest in Michigan Radio’s assets after liabilities are deducted, totaled \$7.4 million at June 30, 2014.

Changes in net position represent Michigan Radio’s results of operations and are summarized for the years ended June 30, 2014 and 2013, as follows:

	2014	2013
	(in thousands)	
Operating revenues	\$ 2,779	\$ 2,996
Operating expenses	7,122	7,500
Operating loss	(4,343)	(4,504)
Private gifts for operating purposes	4,136	3,848
General University appropriations		100
Other revenues, net	655	499
Increase (decrease) in net position	\$ 448	\$ (57)

Using the Financial Statements

Michigan Radio’s financial report includes three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. These financial statements are prepared in accordance with Governmental Accounting Standards Board (“GASB”) principles.

WUOM/WVGR/WFUM
(A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE UNIVERSITY OF MICHIGAN)

Management's Discussion and Analysis (Unaudited)--Continued

Statement of Net Position

The statement of net position presents the financial position of Michigan Radio at the end of the fiscal year and includes all assets and liabilities of Michigan Radio. The difference between total assets and total liabilities – net position – is one indicator of the current financial condition of Michigan Radio, while the change in net position is an indication of whether the overall financial condition has improved or worsened during the year. A comparison of Michigan Radio's assets, liabilities and net position at June 30, 2014 and 2013 is summarized as follows:

	2014	2013
	(in thousands)	
Current assets	\$ 5,504	\$ 5,865
Noncurrent assets	3,969	3,172
Total assets	9,473	9,037
Current liabilities:		
Accrued compensation	321	331
Unearned revenue	42	66
Other current liabilities	99	108
Total current liabilities	462	505
Noncurrent liabilities:		
Obligations for postemployment benefits	1,655	1,624
Total liabilities	2,117	2,129
Net position	\$ 7,356	\$ 6,908

Current assets consist primarily of cash and cash equivalents, which totaled \$5.1 million at June 30, 2014 and \$5.4 million at June 30, 2013. Noncurrent assets consist of endowment investments, which totaled \$2.7 million at June 30, 2014 and \$1.9 million at June 30, 2013, and capital assets, net of accumulated depreciation and amortization, which totaled \$1.2 million at June 30, 2014 and 2013. The increase in endowment investments and corresponding decrease in cash and cash equivalents is pursuant to a strategic plan to grow Michigan Radio's endowment, with the goal of creating a stable revenue stream to eventually offset the loss of institutional financial support and anticipated reductions in federal funding from the CPB. Current liabilities consist primarily of accrued compensation and unearned revenue which represents amounts received in advance of providing services.

WUOM/WVGR/WFUM
(A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE UNIVERSITY OF MICHIGAN)

Management’s Discussion and Analysis (Unaudited)--Continued

Net Position

Net position represents the residual interest in Michigan Radio’s assets after liabilities are deducted. The composition of Michigan Radio’s net position at June 30, 2014 and 2013 is summarized as follows:

	2014	2013
	(in thousands)	
Net investment in capital assets	\$ 1,244	\$ 1,224
Restricted:		
Nonexpendable	44	39
Expendable	11	1
Unrestricted	6,057	5,644
	\$ 7,356	\$ 6,908

Net investment in capital assets represents Michigan Radio’s capital assets net of accumulated depreciation, amortization and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted nonexpendable net position represents the historical value (corpus) of gifts to Michigan Radio’s permanent endowment funds. Restricted expendable net position is subject to externally imposed stipulations governing its use. This category of net position includes net appreciation of permanent endowments and funds granted for support of a specific operational project.

Although unrestricted net position is not subject to externally imposed stipulations, Michigan Radio’s unrestricted net position has been designated by management for various programs and initiatives, as well as capital projects.

WUOM/WVGR/WFUM
(A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE UNIVERSITY OF MICHIGAN)

Management's Discussion and Analysis (Unaudited)--Continued

Statement of Revenues, Expenses and Changes in Net Position

The statement of revenues, expenses and changes in net position presents Michigan Radio's results of operations. In accordance with GASB reporting principles, revenues and expenses are classified as either operating or nonoperating. A comparison of Michigan Radio's revenues, expenses and changes in net position for the three years ended June 30, 2014 is summarized as follows:

	2014	2013	2012
	(in thousands)		
Operating revenues	\$ 2,779	\$ 2,996	\$ 3,086
Operating expenses	7,122	7,500	7,574
Operating loss	(4,343)	(4,504)	(4,488)
Nonoperating revenues:			
Private gifts for operating activities	4,136	3,848	3,769
General University appropriations		100	425
Indirect administrative support	305	355	359
Net investment income	345	144	19
Nonoperating revenues	4,786	4,447	4,572
Other revenues			
Endowment gifts and grants	5		
Increase (decrease) in net position	448	(57)	84
Net position, beginning of year	6,908	6,965	6,881
Net position, end of year	\$ 7,356	\$ 6,908	\$ 6,965

WUOM/WVGR/WFUM
(A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE UNIVERSITY OF MICHIGAN)

Management’s Discussion and Analysis (Unaudited)--Continued

A comparative summary of Michigan Radio’s operating revenues for the three years ended June 30, 2014 is as follows:

	2014	2013	2012
	(in thousands)		
Underwriting	\$ 1,425	\$ 1,641	\$ 1,508
Corporation for Public Broadcasting grants	465	499	701
Federal and nongovernmental sponsored programs	404	358	391
Trade	173	210	192
Other	312	288	294
	\$ 2,779	\$ 2,996	\$ 3,086

Total operating revenues decreased 7 percent, or \$217,000, to \$2.8 million in 2014 due primarily to decreases in underwriting revenues and funding from the CPB. In 2014, the Community Service Grant from the CPB increased 5 percent, to \$465,000, from the 2013 grant of \$444,000. However, other CPB funding decreased with the completion of the “Midwest Local Journalism” project. Underwriting revenue decreased \$216,000, or 13 percent, to \$1.4 million in 2014 due to the end of a one-time contract for a special messaging campaign in 2013, and the loss of a long term client. Other operating revenue consists of tower and studio rental fees, special events revenues, premium sales, royalties and digital media sales.

Michigan Radio’s most significant revenue stream continues to be private gifts for operating purposes, which totaled \$4.1 million in 2014, an increase of \$288,000, or 7 percent, from 2013. This is a noteworthy accomplishment when placed in the context of the economic climate of Michigan Radio’s listening area, and the overall trend of declining membership nationwide.

The University has historically provided support to Michigan Radio in the form of general appropriations and indirect administrative support. In response to decreasing support for higher education from the state of Michigan, the University eliminated general fund appropriations in 2014, after allocations of \$100,000 in 2013 and \$425,000 in 2012. Indirect administrative support represents an allocation of costs from certain central University units that provide services to Michigan Radio, and is reflected as both nonoperating revenue and indirect operating expense.

WUOM/WVGR/WFUM
(A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE UNIVERSITY OF MICHIGAN)

Management's Discussion and Analysis (Unaudited)--Continued

A comparative summary of Michigan Radio's operating expenses for the three years ended June 30, 2014 is as follows:

	2014	2013	2012
	(in thousands)		
Direct:			
Programming and production	\$ 3,873	\$ 3,914	\$ 3,871
Engineering	478	558	649
Development	1,659	1,795	1,744
Management and general	807	878	951
	<u>6,817</u>	<u>7,145</u>	<u>7,215</u>
Indirect:			
Programming and production	173	195	187
Engineering	22	28	33
Development	74	89	90
Management and general	36	43	49
	<u>305</u>	<u>355</u>	<u>359</u>
Total operating expenses	<u>\$ 7,122</u>	<u>\$ 7,500</u>	<u>\$ 7,574</u>

Operating expenses decreased 5 percent, or \$378,000 to \$7.1 million, in 2014. The largest contributor to the \$328,000 decrease in direct expenses in 2014 is the \$183,000 decrease in depreciation expense as capital assets are fully depreciated. Engineering expenses decreased \$86,000 with the capitalization of two facilities improvement projects. Indirect expenses decreased \$50,000 in 2014. Indirect administrative support changes each year as the percentage of total University expenses represented by Michigan Radio fluctuates. This allocation is reflected as both indirect operating expense and nonoperating revenue. Programming and production experienced a \$36,000 decrease in professional services expense as 2013 consulting services related to a new sponsored project were not repeated in 2014.

WUOM/WVGR/WFUM
(A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE UNIVERSITY OF MICHIGAN)

Management's Discussion and Analysis (Unaudited)--Continued

Statement of Cash Flows

The statement of cash flows provides additional information about Michigan Radio's financial results by reporting the major sources and uses of cash. A comparative summary of the statement of cash flows for the years ended June 30, 2014 and 2013 is as follows:

	2014	2013
	(in thousands)	
Cash received from operations	\$ 2,644	\$ 2,489
Cash expended for operations	(6,536)	(6,603)
Net cash used in operating activities	(3,892)	(4,114)
Net cash used in investing activities	(413)	(1,045)
Net cash used in capital and related financing activities	(127)	
Net cash provided by noncapital financing activities	4,126	3,995
Net decrease in cash and cash equivalents	(306)	(1,164)
Cash and cash equivalents, beginning of year	5,436	6,600
Cash and cash equivalents, end of year	\$ 5,130	\$ 5,436

WUOM/WVGR/WFUM
(A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE UNIVERSITY OF MICHIGAN)

Management's Discussion and Analysis (Unaudited)--Continued

Economic Factors That Will Affect the Future

To meet the challenges of the future, Michigan Radio must take into account many influences outside its control. The health of the national, state and local economy, for example, can have a significant impact on funding available for public radio from a broad range of sources including the CPB, corporate and federal sponsors and private giving.

The Community Service Grant from the CPB is a significant source of funding for Michigan Radio. CPB funding has been subject to much congressional debate over the past several years. In response, the CPB has developed a new funding formula which will translate to a decrease in Community Service Grant support in future years. The level of funding support that public broadcasting will garner continues to be uncertain as the composition of congress changes in 2015.

The strength of Michigan Radio's programming is supported primarily by the success of membership fundraising campaigns and corporate underwriting sponsorship. The continued growth in membership acquisition and audience listenership are important foundations to build on as Michigan Radio looks to maintain and grow the revenue needed to support its operating and capital programs. In keeping with our strategic plan, Michigan Radio has been successful in its efforts to diversify revenue streams and reduce costs to meet the challenges of the current economic environment. Michigan Radio is actively partnering with other units of the University to capitalize on existing development efforts. In addition, the car donation program was actively promoted in 2014, and the program grew substantially to contribute over \$100,000 in gift revenues during the current year. This revenue stream will be actively pursued in future years in an attempt to offset expected losses in other sources of funding.

Michigan Radio is actively participating in the University's capital campaign which commenced its public phase in November 2013. Fundraising goals include significant growth of the endowment to generate a stable stream of revenue to offset lost institutional financial support and further declines in federal funding from the CPB. Early efforts in this campaign secured a number of planned gifts as well as our first ever five figure gift given in support of the daily talk show *Stateside*. All of these efforts support our overall goal of maintaining sustainable support for our operations into the future.

While it is not possible to predict the ultimate results, management believes that Michigan Radio's financial condition will remain strong.

WUOM/WVGR/WFUM
(A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE UNIVERSITY OF MICHIGAN)

Statement of Net Position

	June 30,	
	2014	2013
Assets		
Current Assets:		
Cash and cash equivalents on deposit with the University	\$ 5,129,989	\$ 5,436,027
Accounts receivable, net	207,976	252,759
Pledges receivable, net	51,597	55,810
Prepaid expenses	39,358	57,733
Premium inventory	42,338	31,175
Other	33,067	31,951
Total Current Assets	5,504,325	5,865,455
Noncurrent Assets:		
Capital assets, net	1,244,464	1,223,779
Pledges receivable, net	18,213	
Endowment investments on deposit with the University	2,705,784	1,948,171
Total Noncurrent Assets	3,968,461	3,171,950
Total Assets	\$ 9,472,786	\$ 9,037,405
Liabilities and Net Position		
Current Liabilities:		
Accounts payable	\$ 42,871	\$ 43,233
Accrued compensation	321,144	330,670
Unearned revenue	42,409	66,172
Obligations for postemployment benefits	55,000	65,000
Total Current Liabilities	461,424	505,075
Noncurrent Liabilities:		
Obligations for postemployment benefits	1,655,000	1,624,100
Total Liabilities	2,116,424	2,129,175
Net Position:		
Net investment in capital assets	1,244,464	1,223,779
Restricted:		
Nonexpendable	44,135	39,480
Expendable	10,602	1,250
Unrestricted	6,057,161	5,643,721
Total Net Position	7,356,362	6,908,230
Total Liabilities and Net Position	\$ 9,472,786	\$ 9,037,405

The accompanying notes are an integral part of the financial statements.

WUOM/WVGR/WFUM
(A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE UNIVERSITY OF MICHIGAN)

**Statement of Revenues, Expenses
and Changes in Net Position**

	Year Ended June 30,	
	2014	2013
Operating Revenues		
Underwriting	\$ 1,425,252	\$ 1,640,666
Corporation for Public Broadcasting grants	465,303	498,689
Nongovernmental sponsored programs	380,133	342,198
Federal grants and contracts	23,764	16,458
Trade	172,935	209,645
Rental income	123,167	102,794
Premium sales	123,206	114,242
Other	65,479	71,509
Total Operating Revenues	2,779,239	2,996,201
Operating Expenses		
Program Services:		
Programming and production	4,045,539	4,108,506
Engineering	499,664	585,878
Total Program Services	4,545,203	4,694,384
Supporting Services:		
Development	1,733,567	1,884,813
Management and general	843,006	921,049
Total Supporting Services	2,576,573	2,805,862
Total Operating Expenses	7,121,776	7,500,246
Operating loss	(4,342,537)	(4,504,045)
Nonoperating Revenues		
Private gifts for other than capital and endowment purposes	4,135,820	3,848,361
General appropriations from the University		100,000
Indirect administrative support from the University	304,592	355,276
Net investment income	345,602	143,211
Total Nonoperating Revenues	4,786,014	4,446,848
Increase (decrease) in net assets before other revenues	443,477	(57,197)
Other Revenues		
Private gifts for permanent endowment purposes	4,655	170
Total Other Revenues	4,655	170
Increase (decrease) in net position	448,132	(57,027)
Net Position, Beginning of Year	6,908,230	6,965,257
Net Position, End of Year	\$ 7,356,362	\$ 6,908,230

The accompanying notes are an integral part of the financial statements.

WUOM/WVGR/WFUM
(A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE UNIVERSITY OF MICHIGAN)

Statement of Cash Flows

	Year Ended June 30,	
	2014	2013
Cash Flows from Operating Activities		
Underwriting	\$ 1,499,888	\$ 1,622,460
Corporation for Public Broadcasting grants	465,303	532,423
Nongovernmental sponsored programs	363,127	32,078
Federal grants and contracts	22,611	15,789
Rental income	116,292	100,606
Premium sales	123,206	114,242
Other receipts	53,164	71,509
Payments for salaries and benefits	(3,650,481)	(3,551,931)
Payments for program rights	(1,435,061)	(1,400,107)
Payments for operating and administrative expenses	(1,449,975)	(1,651,062)
Net Cash Used in Operating Activities	(3,891,926)	(4,113,993)
Cash Flows from Investing Activities		
Purchase of investments	(757,612)	(1,186,946)
Net investment income	344,486	142,082
Net Cash Used in Investing Activities	(413,126)	(1,044,864)
Cash Flows from Capital Financing Activities		
Purchase of capital assets	(127,460)	
Net Cash Used in Capital Financing Activities	(127,460)	-
Cash Flows from Noncapital Financing Activities		
Private gifts	4,126,474	3,894,698
General appropriations from the University		100,000
Net Cash Provided by Noncapital Financing Activities	4,126,474	3,994,698
Net decrease in cash and cash equivalents	(306,038)	(1,164,159)
Cash and Cash Equivalents, Beginning of Year	5,436,027	6,600,186
Cash and Cash Equivalents, End of Year	\$ 5,129,989	\$ 5,436,027

The accompanying notes are an integral part of the financial statements.

WUOM/WVGR/WFUM
(A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE UNIVERSITY OF MICHIGAN)

Statement of Cash Flows--Continued

	Year Ended June 30,	
	2014	2013
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (4,342,537)	\$ (4,504,045)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Indirect administrative support	304,592	355,276
Depreciation and amortization expense	106,775	283,935
Obligations for postemployment benefits	20,900	26,000
Changes in assets and liabilities:		
Accounts receivable, net	44,783	(2,776)
Premium inventory	(11,163)	(7,398)
Prepaid expenses	18,375	(5,573)
Accounts payable	(362)	(10,792)
Accrued compensation	(9,526)	29,786
Unearned revenue	(23,763)	(278,406)
Net cash used in operating activities	\$ (3,891,926)	\$ (4,113,993)

The accompanying notes are an integral part of the financial statements.

WUOM/WVGR/WFUM
(A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE UNIVERSITY OF MICHIGAN)

Notes to Financial Statements

June 30, 2014 and 2013

Note 1--Organization and Summary of Significant Accounting Policies

Organization and Basis of Presentation: WUOM/WVGR/WFUM (“Michigan Radio”) is a public telecommunications entity licensed by the Federal Communications Commission and operated by the University of Michigan (the “University”) through its Michigan Public Media unit. Collectively known as Michigan Radio, this network of three public radio stations includes WUOM - Ann Arbor (91.7 FM, 93 KW), WVGR - Grand Rapids (104.1 FM, 96 KW) and WFUM - Flint (91.1 FM, 17.5 KW). Michigan Radio broadcasts national and local news and information programming 24 hours a day to most of the southern two-thirds of the state of Michigan’s lower peninsula, from its studios in Ann Arbor and news bureaus in Dearborn/Detroit and Grand Rapids.

Michigan Radio operates under control of the University’s Board of Regents (the “Regents”) and, in connection therewith, utilizes assets, title to which is vested in the Regents. As part of the University, Michigan Radio is exempt from income taxes under Internal Revenue Code Sections 501(c)(3) and 115. The assets, liabilities, revenues, expenses and changes in net position of Michigan Radio are included in the consolidated financial statements of the University.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (“GASB”). Michigan Radio reports as a special purpose government entity engaged primarily in business type activities, as defined by GASB, on the accrual basis. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

WUOM/WVGR/WFUM
(A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE UNIVERSITY OF MICHIGAN)

Notes to Financial Statements--Continued

Note 1--Organization and Summary of Significant Accounting Policies--Continued

Net position is categorized as:

- Net investment in capital assets: Capital assets, net of accumulated depreciation, amortization and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

- Restricted:
 - Nonexpendable – Net position subject to externally imposed stipulations that it be maintained permanently. Such net position includes the corpus portion (historical value) of gifts to Michigan Radio’s permanent endowment funds and certain investment earnings stipulated by the donor to be reinvested permanently.

 - Expendable – Net position whose use by Michigan Radio is subject to externally imposed stipulations that can be fulfilled by actions of Michigan Radio pursuant to those stipulations or that expire by the passage of time. Such net position includes net appreciation of Michigan Radio’s permanent endowment funds that have not been stipulated by the donor to be reinvested permanently.

- Unrestricted: Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management, the Regents or may otherwise be limited by contractual agreements with outside parties.

Adoption of New Accounting Standards: During 2014, the University adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The adoption of this statement did not have a material impact on Michigan Radio’s financial statements.

Summary of Significant Accounting Policies: For purposes of the statement of cash flows, Michigan Radio considers all highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents. Cash equivalents represent investments in the University Investment Pool (“UIP”), a short-term commingled pool managed by the University that can be readily liquidated to pay contractual liabilities.

Accounts receivable are recorded net of an allowance for doubtful accounts. The allowance for doubtful accounts is maintained at a level to absorb losses inherent in the accounts receivables. Management determines the adequacy of the allowance for doubtful accounts by estimating uncollectability based on recent loss experience. Actual losses may vary from those projected amounts.

WUOM/WVGR/WFUM
(A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE UNIVERSITY OF MICHIGAN)

Notes to Financial Statements--Continued

Note 1--Organization and Summary of Significant Accounting Policies--Continued

Michigan Radio receives pledges and bequests of financial support from corporations, foundations and individuals. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements, including time requirements, have been met. In the absence of such a promise, revenue is recognized when the gift is received. An allowance for uncollectible pledges receivable is provided based on management's judgment of potential uncollectible amounts. The determination includes such factors as prior collection history, type of gift and nature of fundraising.

Prepaid expenses consist primarily of costs incurred for programs not yet broadcast and relate to program rights acquired by Michigan Radio that will be broadcast subsequent to June 30.

Premium inventory consists of promotional items held for distribution to the general public in exchange for membership contributions. Inventory is stated at the lower of cost or market on a first-in-first-out basis.

Other assets represent the cash surrender value of a life insurance policy donated to WUOM.

Capital assets are recorded at cost or, if donated, at appraised value at the date of donation. Depreciation of capital assets is provided on a straight-line basis over the estimated useful lives of the respective assets, which range from three to forty years. Leasehold improvements are amortized over the shorter of their estimated useful lives or the related lease term. Michigan Radio capitalizes all expenditures for land, buildings, equipment and improvements in excess of \$5,000.

Endowment investments primarily represent investments in the University Endowment Fund ("UEF"), a commingled pool which is invested entirely in the Long Term Portfolio, a diversified, equity-oriented investment pool managed by the University. The net asset value ("NAV") of UEF shares is determined at the end of each calendar quarter based on the fair value of the pool. Participants may purchase or redeem UEF shares at NAV at each valuation date, subject to minimum holding and notice requirements.

Accrued compensation consists of amounts earned for services performed that will be paid in the future.

Unearned revenue consists primarily of cash received from grant and underwriting sponsors which has not yet been earned under the terms of the agreement.

WUOM/WVGR/WFUM
(A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE UNIVERSITY OF MICHIGAN)

Notes to Financial Statements--Continued

Note 1--Organization and Summary of Significant Accounting Policies--Continued

Underwriting revenue is received from corporate sponsors, non-profit organizations, university departments and units for on-air credit announcements. Michigan Radio recognizes underwriting revenue as credits are aired, deferring any revenue related to unaired credits.

Community service and other grants are received from the Corporation for Public Broadcasting, a private, non-profit corporation that provides funding for public radio and television programming.

Trade revenue results from in-kind barter-type agreements with outside organizations which provide goods and services in exchange for on-air credit announcements. Trade revenue and related expenses approximate the fair value of the transactions.

Rental income primarily results from rent received from leasing access to two of Michigan Radio's towers (approximately \$130,000 per year). Michigan Radio also receives rental income from studio rental.

General appropriations from the University provide direct support for operating expenses not provided through other sources. In 2014, it was decided that the University would no longer provide Michigan Radio with general appropriations support.

Indirect administrative support from the University consists of allocated finance, human resources, development, technology, sponsored programs and other administrative costs. This support is reflected as nonoperating revenue and operating expense as incurred in the accompanying statement of revenues, expenses and changes in net position. All support received from the University is recorded as nonoperating revenue.

The costs of providing various activities have been summarized on a functional basis in the statement of revenues, expenses and changes in net position. Accordingly, certain costs have been allocated among the program and supporting activities using the objective basis, percentage of expenses.

WUOM/WVGR/WFUM
(A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE UNIVERSITY OF MICHIGAN)

Notes to Financial Statements--Continued

Note 1--Organization and Summary of Significant Accounting Policies--Continued

Michigan Radio's policy for defining operating activities as reported on the statement of revenues, expenses and changes in net position are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Nonexchange transactions are reported as nonoperating activities. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB, including private gifts, general appropriations from the University and indirect administrative support from the University.

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

Note 2--Cash and Investments

The University maintains centralized management for all cash and investments of Michigan Radio. Cash reserves and relatively short duration assets are invested in the UIP, while longer term assets held in the UEF are invested in the University's Long Term Portfolio. The UIP is principally invested in investment-grade money market securities, U.S. government and other fixed income securities and absolute return strategies. The longer investment horizon of the Long Term Portfolio allows for an equity-oriented strategy to achieve higher expected returns over time, and permits the use of less liquid alternative investments, providing for equity diversification beyond the stock markets.

The UEF consists of both permanent endowments and funds functioning as endowment. Permanent endowments are those funds received from donors with the stipulation that the principal remain intact and be invested in perpetuity to produce income that is to be expended for the purposes specified by the donors. Funds functioning as endowment consist of amounts (restricted gifts or unrestricted funds) that have been allocated by Michigan Radio for long-term investment purposes, but are not limited by donor stipulations requiring Michigan Radio to preserve principal in perpetuity.

WUOM/WVGR/WFUM
(A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE UNIVERSITY OF MICHIGAN)

Notes to Financial Statements--Continued

Note 2--Cash and Investments--Continued

The University's investment policies are governed and authorized by University Bylaws and the Regents. The approved asset allocation policy for the Long Term Portfolio, in which the UEF invests, sets a general target of 80 percent equities and 20 percent fixed income securities, within a permitted range of 65 to 90 percent for equities and 10 to 35 percent for fixed income securities. Since diversification is a fundamental risk management strategy, the Long Term Portfolio is broadly diversified within these general categories. At June 30, 2014 and 2013, the Long Term Portfolio consisted of cash and equivalents (1 percent and 0 percent), fixed income securities (13 percent and 13 percent), U.S. and non-U.S. equities (15 percent and 11 percent), commingled funds (20 percent and 20 percent), and nonmarketable alternative investments (51 percent and 56 percent).

Commingled (pooled) funds held in the Long Term Portfolio include Securities and Exchange Commission regulated mutual funds and externally managed funds, limited partnerships and corporate structures which are generally unrated and unregulated. Commingled funds have liquidity (redemption) provisions, which enable the University to make full or partial withdrawals with notice, subject to restrictions on timing and amount. Commingled funds are primarily invested in non-U.S./global equities and absolute return strategies, but also include exposure to domestic fixed income and equity securities. Certain commingled funds held in the Long Term Portfolio may use derivatives, short positions and leverage as part of their investment strategy; however, these investments are structured to limit the University's risk exposure to the amount of invested capital.

Nonmarketable alternative investments held in the Long Term Portfolio consist of limited partnerships and similar vehicles involving an advance commitment of capital called by the general partner as needed to invest in underlying strategies. Distributions of capital and return on invested capital are made during the life of the partnership as the underlying strategies are concluded. These limited partnerships include venture capital, private equity, real estate, natural resources and absolute return strategies. There is no active secondary market for these alternative investments, which are generally unrated and unregulated, and the liquidity of these investments is dependent on actions taken by the general partner.

The Long Term Portfolio holds investments denominated in foreign currencies and forward foreign exchange contracts used to manage the risk related to fluctuations in currency exchange rates between the time of purchase or sale and the actual settlement of foreign securities. Various investment managers acting for the University also use forward foreign exchange contracts in risk-based transactions to carry out their portfolio strategies. Foreign exchange risk is the risk that investments denominated in foreign currencies may lose value due to adverse fluctuations in the value of the U.S. dollar relative to foreign currencies. The Long Term Portfolio's non-U.S. dollar exposure amounted to 10 percent and 11 percent of the portfolio at June 30, 2014 and 2013, respectively.

WUOM/WVGR/WFUM
(A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE UNIVERSITY OF MICHIGAN)

Notes to Financial Statements--Continued

Note 2--Cash and Investments--Continued

The University's investment strategy, like that of most other institutions, incorporates certain financial instruments that involve, to varying degrees, elements of market risk and credit risk in excess of amounts recorded in the financial statements. Market risk is the potential for changes in the value of financial instruments due to market changes, including interest and foreign exchange rate movements and fluctuations embodied in forwards, futures and commodity or security prices. Market risk is directly impacted by the volatility and liquidity of the markets in which the underlying assets are traded. Credit risk is the possibility that a loss may occur due to the failure of a counterparty to perform according to the terms of the contract. The University's risk of loss in the event of a counterparty default is typically limited to the amounts recognized in the statement of net position and is not represented by the contract or notional amounts of the instruments.

Michigan Radio receives distributions from the UEF based on the University's endowment spending rule. Commencing with the quarter ending September 30, 2010, the annual distribution rate began to be reduced from 5 percent of the one-quarter lagged seven year moving average fair value of fund shares to 4.5 percent. Distributions were managed toward the new rate by keeping quarter to quarter distributions per share unchanged and gradually moving toward the 4.5 percent rate when increases in share value would otherwise result in higher per share distributions. The University reached the 4.5 percent target distribution rate as of December 31, 2013. To protect endowment principal in the event of a prolonged market downturn, distributions are limited to 5.3 percent of the current fair value of fund shares. Distributions are also made from the UIP to Michigan Radio based on the 90-day U.S. Treasury Bill rate. The University's costs to administer and grow the UEF and UIP are funded by investment returns.

Withdrawals may be made quarterly from the UEF, with thirty days' notice, based upon University policy, generally after a five year investment period. Withdrawals may be made from the UIP on a daily basis.

WUOM/WVGR/WFUM
(A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE UNIVERSITY OF MICHIGAN)

Notes to Financial Statements--Continued

Note 3--Accounts Receivable

The composition of accounts receivable at June 30, 2014 and 2013 is summarized as follows:

	2014	2013
Underwriting	\$ 131,028	\$ 223,213
Other	77,528	31,374
	208,556	254,587
Less provision for uncollectible accounts receivable	580	1,828
	<u>\$ 207,976</u>	<u>\$ 252,759</u>

Note 4--Pledges Receivable

The composition of pledges receivable at June 30, 2014 and 2013 is summarized as follows:

	2014	2013
Gift pledges outstanding	\$ 88,831	\$ 99,661
Less allowance for uncollectible pledges	19,021	43,851
Total pledges receivable, net	69,810	55,810
Less current portion	51,597	55,810
	<u>\$ 18,213</u>	<u>\$ -</u>

Payments on pledges receivable at June 30 are expected to be received during the following year.

WUOM/WVGR/WFUM
(A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE UNIVERSITY OF MICHIGAN)

Notes to Financial Statements--Continued

Note 5--Capital Assets

Capital assets activity for the years ended June 30, 2014 and 2013 is summarized as follows:

		2014			
		Beginning Balance	Additions	Retirements	Ending Balance
Land		\$ 290,238			\$ 290,238
Transmitter, tower and equipment		1,949,570	\$ 57,457		2,007,027
Leasehold improvement		1,595,490			1,595,490
Construction in progress			70,003		70,003
		3,835,298	127,460	\$ -	3,962,758
Less accumulated depreciation and amortization		2,611,519	106,775		2,718,294
		<u>\$ 1,223,779</u>	<u>\$ 20,685</u>	<u>\$ -</u>	<u>\$ 1,244,464</u>

		2013			
		Beginning Balance	Additions	Retirements	Ending Balance
Land		\$ 290,238			\$ 290,238
Transmitter, tower and equipment		1,956,390		\$ 6,820	1,949,570
Leasehold improvements		1,595,490			1,595,490
		3,842,118	\$ -	6,820	3,835,298
Less accumulated depreciation and amortization		2,334,404	283,935	6,820	2,611,519
		<u>\$ 1,507,714</u>	<u>\$ (283,935)</u>	<u>\$ -</u>	<u>\$ 1,223,779</u>

The U.S. Department of Commerce has reversionary interest in equipment purchased in part with two Public Telecommunications Facilities Program grants received from the National Telecommunications and Information Administration. The reversionary interest is pursuant to the terms of federal priority liens which extend ten years after the equipment was placed in service. The only remaining reversionary interest is in the West Michigan Radio Tower, which had an original cost of \$1,298,349, and extends through 2017. There is no provision made in the financial statements for the reversionary interest since Michigan Radio plans to continue to actively use the equipment beyond the lien expirations.

WUOM/WVGR/WFUM
(A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE UNIVERSITY OF MICHIGAN)

Notes to Financial Statements--Continued

Note 6--Postemployment Benefits

Michigan Radio participates in the University's postemployment benefits plan which provides retiree health and welfare benefits, primarily medical, prescription drug, dental and life insurance coverage, to eligible retirees and their eligible dependents. Substantially all of Michigan Radio's permanent employees may become eligible for these benefits if they reach retirement age while working for Michigan Radio. For employees retiring on or after January 1, 1987, contributions toward health and welfare benefits are shared between Michigan Radio and the retiree, and can vary based on date of hire, date of retirement, age and coverage elections.

The University also provides income replacement benefits, retirement savings contributions and health and life insurance benefits to substantially all permanent Michigan Radio employees who are enrolled in a University sponsored long-term disability plan and qualify, based on disability status while working for Michigan Radio, to receive basic or expanded long-term disability benefits. Contributions toward the expanded long-term disability plan are shared between Michigan Radio and employees and vary based on years of service, annual base salary and coverage elections. Contributions toward the basic long-term disability plan are paid entirely by Michigan Radio.

These postemployment benefits are provided through single-employer plans administered by the University. The Executive Vice Presidents of the University have the authority to establish and amend benefit provisions of the plans.

The University's annual other postemployment benefits ("OPEB") expense is actuarially determined in accordance with GASB Statement No. 45. Projections of benefits are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided and announced future changes at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

Michigan Radio's annual OPEB expense and liability represents an allocation of Michigan Radio's relative share of the University's expense and liability, based on the method in which the retiree benefits are funded. The funding method is based upon a percentage of salary dollars of active employees who qualify for retiree benefits.

WUOM/WVGR/WFUM
(A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE UNIVERSITY OF MICHIGAN)

Notes to Financial Statements--Continued

Note 6--Postemployment Benefits--Continued

Changes in the total reported liability for Michigan Radio's postemployment benefits obligations for the years ended June 30, 2014 and 2013 are summarized as follows:

	2014	2013
Balance, beginning of year	\$ 1,689,100	\$ 1,663,100
Recurring postemployment benefits expense	84,900	82,000
Payments of current premiums and claims	(64,000)	(56,000)
Balance, end of year	1,710,000	1,689,100
Less current portion	55,000	65,000
	<u>\$ 1,655,000</u>	<u>\$ 1,624,100</u>

Michigan Radio has no obligation to make contributions in advance of when insurance premiums or claims are due for payment and currently pays for postemployment benefits on a pay-as-you-go basis. Michigan Radio's obligation for postemployment benefits at June 30, 2014 and 2013 as a percentage of covered payroll of \$2,732,595 and \$2,662,557 was 63 percent and 63 percent, respectively.

The University's OPEB liability was calculated using the projected unit credit method. Significant actuarial methods and assumptions used in the valuation for the years ended June 30, 2014 and 2013 are as follows:

	2014	
	<u>Retiree Health and Welfare</u>	<u>Long-term Disability</u>
Discount Rate	6.08%	7.88%
Immediate/Ultimate Administrative Trend Rate	0.0%/3.0%	0.0%/3.0%
Immediate/Ultimate Medical Trend Rate	6.0%-8.0%/5.0%	6.0%-8.0%/5.0%
Immediate Ultimate Rx Trend Rate	7.0%/5.0%	7.0%/5.0%
Expected Retirement Age (Faculty/Staff/Union)	66/62/61	Not Applicable
Mortality/Termination Table	RP-2000 Generational	2005 SOA Life Waiver (Modified)
	2013	
	<u>Retiree Health and Welfare</u>	<u>Long-term Disability</u>
Discount Rate	6.08%	7.88%
Immediate/Ultimate Administrative Trend Rate	0.0%/3.0%	0.0%/3.0%
Immediate/Ultimate Medical Trend Rate	6.0%-8.0%/5.0%	6.0%-8.0%/5.0%
Immediate Ultimate Rx Trend Rate	7.0%/5.0%	7.0%/5.0%
Expected Retirement Age (Faculty/Staff/Union)	66/62/61	Not Applicable
Mortality/Termination Table	RP-2000 Generational	2005 SOA Life Waiver (Modified)

WUOM/WVGR/WFUM
(A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE UNIVERSITY OF MICHIGAN)

Notes to Financial Statements--Continued

Note 7--Retirement Plan

Michigan Radio participates in the University's retirement plan, a defined contribution retirement plan through the Teachers Insurance and Annuity Association - College Retirement Equities Fund ("TIAA-CREF") and Fidelity Management Trust Company ("FMTC") mutual funds, for all qualified employees. All staff are eligible to participate in the plan based upon age and service requirements. Participants maintain individual contracts with TIAA-CREF, or accounts with FMTC, and are fully vested.

Eligible employees generally contribute 5 percent of their pay and Michigan Radio generally contributes an amount equal to 10 percent of employees' pay to the plan. Michigan Radio's contribution commences after an employee has completed one year of employment. Participants may elect to contribute additional amounts to the plan within specified limits that are not matched by Michigan Radio contributions. Contributions and covered payroll under the plan (excluding participant's additional contributions) for the three years ended June 30, 2014 are summarized as follows:

	2014	2013	2012
Michigan Radio contributions	\$ 256,227	\$ 236,259	\$ 245,909
Employee contributions	\$ 133,143	\$ 123,254	\$ 127,154
Payroll covered under plan	\$ 2,732,595	\$ 2,662,557	\$ 2,705,078
Total payroll	\$ 2,774,146	\$ 2,709,521	\$ 2,712,298

Note 8--Contingencies and Commitments

Michigan Radio has entered into operating leases for space, which expire at various dates through 2018. Outstanding commitments for these leases are expected to be paid in the following years ended June 30:

2015	\$ 210,039
2016	213,470
2017	214,086
2018	35,798
	\$ 673,393



**Report of Independent Auditors
on Supplementary Information**

The Regents of the University of Michigan

We have audited the financial statements of WUOM/WVGR/WFUM as of June 30, 2014 and for the year then ended and our report thereon appears on pages 1 and 2 of this document. That audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

PricewaterhouseCoopers LLP

December 19, 2014

WUOM/WVGR/WFUM
(A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE UNIVERSITY OF MICHIGAN)

**Schedule of Functional Expenses
For the Year Ended June 30, 2014**

	Program Services			Supporting Services			Total Operating Expenses
	Programming and Production	Engineering	Total Program Services	Development	Management and General	Total Supporting Services	
Salaries, payroll taxes, and employee benefits	\$ 1,812,076	\$ 223,686	\$ 2,035,762	\$ 950,181	\$ 675,912	\$ 1,626,093	\$ 3,661,855
Program fees	1,456,473		1,456,473			-	1,456,473
Depreciation and amortization	60,653	7,491	68,144	25,991	12,640	38,631	106,775
Indirect administrative support	173,048	21,373	194,421	74,153	36,017	110,170	304,591
Professional services	262,776	1,606	264,382	62,382	33,560	95,942	360,324
Equipment and space rental	102,700	12,561	115,261	45,229	21,554	66,783	182,044
Advertising	19,686		19,686	183,658		183,658	203,344
Supplies	6,909	68,224	75,133	127,181	8,334	135,515	210,648
Travel and conferences	56,990	6,836	63,826	34,239	13,154	47,393	111,219
Telecommunications	30,814	46,317	77,131	10,318	3,988	14,306	91,437
Repairs and maintenance	362	17,164	17,526	10,246	16,740	26,986	44,512
Utilities	16,838	93,515	110,353	7,232	3,495	10,727	121,080
Postage and freight	374	111	485	95,532	529	96,061	96,546
Surveys and ratings	31,871	780	32,651			-	32,651
Merchant service fees			-	94,252	7	94,259	94,259
Memberships and dues	6,469		6,469	12,973	2,190	15,163	21,632
Other	7,500		7,500		14,886	14,886	22,386
Total Operating Expenses	\$ 4,045,539	\$ 499,664	\$ 4,545,203	\$ 1,733,567	\$ 843,006	\$ 2,576,573	\$ 7,121,776

WUOM/WVGR/WFUM
(A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE UNIVERSITY OF MICHIGAN)

**Schedule of Functional Expenses
For the Year Ended June 30, 2013**

	Program Services			Supporting Services			Total Operating Expenses
	Programming and Production	Engineering	Total Program Services	Development	Management and General	Total Supporting Services	
Salaries, payroll taxes, and employee benefits	\$ 1,787,575	\$ 224,343	\$ 2,011,918	\$ 880,319	\$ 715,480	\$ 1,595,799	\$ 3,607,717
Program fees	1,390,242		1,390,242			-	1,390,242
Depreciation and amortization	159,297	20,435	179,732	68,284	35,919	104,203	283,935
Indirect administrative support	194,614	27,752	222,366	89,281	43,629	132,910	355,276
Professional services	298,922	25,373	324,295	158,545	42,811	201,356	525,651
Equipment and space rental	107,527	39,923	147,450	48,714	23,829	72,543	219,993
Advertising	11,469		11,469	234,289	277	234,566	246,035
Supplies	25,996	75,099	101,095	149,246	9,982	159,228	260,323
Travel and conferences	63,744	4,949	68,693	36,796	11,547	48,343	117,036
Telecommunications	27,798	18,553	46,351	11,549	3,842	15,391	61,742
Repairs and maintenance		40,008	40,008	8	23,254	23,262	63,270
Utilities	21,331	106,381	127,712	9,276	4,810	14,086	141,798
Postage and freight	258	512	770	112,570	612	113,182	113,952
Surveys and ratings	12,100	845	12,945	260		260	13,205
Merchant service fees	8		8	78,266	4	78,270	78,278
Memberships and dues	7,625	1,705	9,330	7,410	13,945	21,355	30,685
Other			-		(8,892)	(8,892)	(8,892)
Total Operating Expenses	\$ 4,108,506	\$ 585,878	\$ 4,694,384	\$ 1,884,813	\$ 921,049	\$ 2,805,862	\$ 7,500,246