

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

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 and 2011
with
REPORT OF INDEPENDENT AUDITOR**

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

June 30, 2012 and 2011

	Page(s)
Report of Independent Auditors	1-2
Management's Discussion and Analysis (Unaudited)	3-16
Financial Statements:	
Statement of Net Assets	17
Statement of Revenues, Expenses and Changes in Net Assets	18
Statement of Cash Flows	19-20
Notes to Financial Statements	21-33
Supplementary Information:	
Report of Independent Auditors on Supplementary Information.....	34
Schedule of Functional Expenses.....	35-36



Report of Independent Auditors

The Regents of the University of Michigan

In our opinion, the accompanying statement of net assets and the related statements of revenues, expenses and changes in net assets and of cash flows present fairly, in all material respects, the financial position of WUOM/WVGR/WFUM (“Michigan Radio”), which is comprised of certain departments of the University of Michigan at June 30, 2012 and 2011, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Michigan Radio’s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of Michigan Radio present only the financial position, changes in financial 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, 2012 and 2011, 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 the 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

Princeton Township Cooper LLP

December 21, 2012

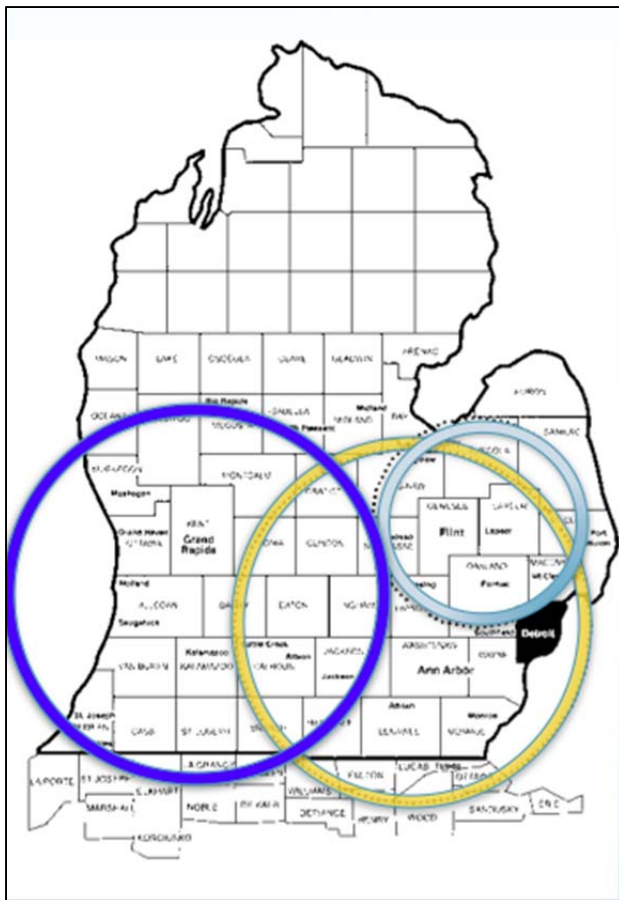
WUOM/WVGR/WFUM
(A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE UNIVERSITY OF MICHIGAN)

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, 2012 and 2011 and its activities for the three fiscal years ended June 30, 2012. 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.

WUOM/WVGR/WFUM, a network of three public radio stations in southern Michigan recognized as Michigan Radio, is licensed by the Federal Communications Commission and operates under 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 fiscal year 2012, Michigan Radio continues to be the most listened to public radio service in Michigan, with approximately 470,000 listeners each week. (Source: National Regional Database, Arbitron Spring 2012, Persons 12+, M-Su 6a-12m)

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

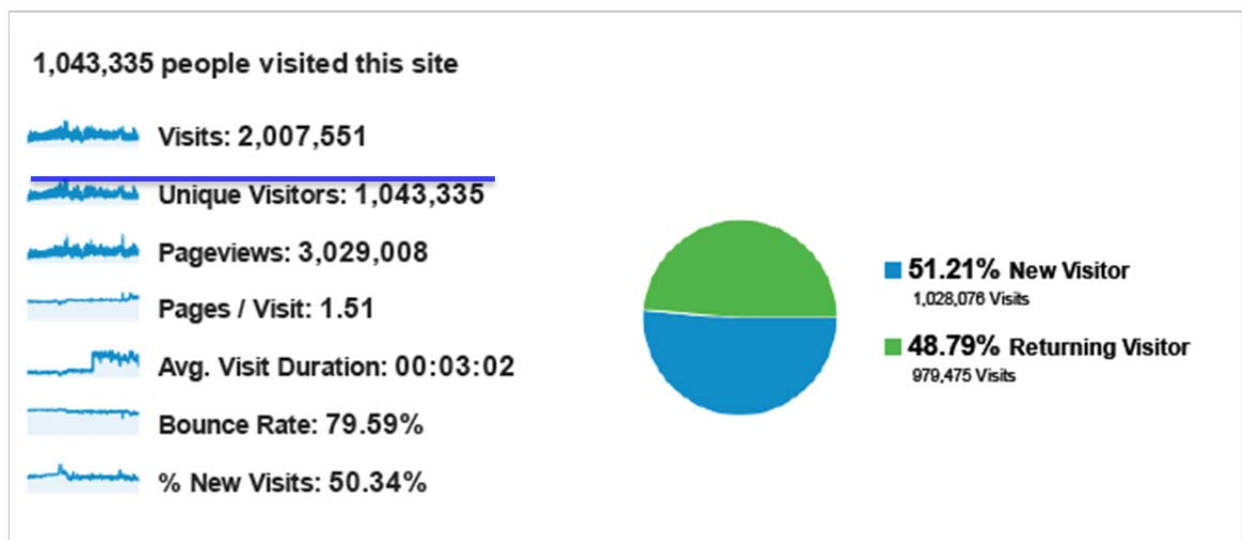
Management’s Discussion and Analysis (Unaudited)--Continued

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 National Public Radio (“NPR”), Public Radio International (“PRI”) and American Public Media (“APM”), Michigan Radio provides a distinctive combination of national and local programming to a statewide audience of 470,000 listeners each week from its studios in Ann Arbor and news bureaus in Detroit, Grand Rapids and mid-Michigan. Michigan Radio currently ranks as one of the top ten public radio stations in the United States in terms of the percent of national NPR listening audience delivered, continuing its position as one of a distinct group of top echelon public radio stations in the United States. *(Source: NPR Audience Handbook, 2010; “Top Stations and DMA’s That Deliver The Most Listeners to NPR Programming”, p.16)*

In the digital space, Michigan Radio offers an 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.



The infographic below depicts a performance summary of the station website michiganradio.org.



Source: 1 - Google analytics for the FY12 period, July 1, 2011 – June 28, 2012

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

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

In fiscal year 2012, unique visitors to michiganradio.org topped the 1 million unique visitors milestone according to Google Analytics reports. Additional impact for the website started in July 2011 when the site was added to the Google News index.

The station’s online audio streaming audience is also growing to new levels, once again. In fiscal year 2012, audio streaming posted 12 percent growth in unique users served monthly, to a new high of 82,440. The online streaming audience is reflecting growth thru the broad adoption of smart phones and other digital devices that access the station’s program service across the continental U.S. and worldwide. In the state of Michigan, online listenership comes from nine major city areas. During the most recent six-month period, January-June 2012, 67 percent of the overall online unique visitors originated in the state of Michigan, according to the verified Google Analytics reports. Drilling down further, 51 percent of the traffic during the same period came from these specific municipal areas in Michigan:

Rank	City	Unique Visits	% of Visits
1	Ann Arbor	98,927	16%
2	Grand Rapids	56,034	9%
3	Lansing-East Lansing	64,020	10%
4	Detroit	34,592	6%
5	Kalamazoo	21,974	4%
6	Royal Oak	11,977	2%
7	Dearborn	11,569	2%
8	Flint	9,371	2%
9	Troy	8,732	1%

Source: 2 – UM ITS audio streaming logs for Windows and Mp3 connections for the FY12 period, July 1, 2011 – June 28, 2012

In its second year, the station’s custom designed Michigan Radio iPhone app continued to attract users and downloads from across the state and beyond. The primary feature is premium-streaming audio of live news and information broadcast service. Additional features include the station program guide, podcast information, social media links and more. In fiscal year 2012, downloads of the app increased by 39 percent over prior year to a grand total deployment of 44,950.



The station has established followings on major social network sites, where users can find “MichiganRadio” on Facebook and Twitter. Over 14,600 Facebook friends receive news updates and interact with Michigan Radio, while Twitter followers have grown to 15,630 and counting.

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

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

Online and social media are an established focus of the station’s journalism. Reporters and producers seek out ideas, sources and suggestions by interacting with the station’s Facebook and Twitter followers.



The user growth and editorial impact of an online presence continues to attract attention and appropriate resources. In the past year, Michigan Radio engaged in pilot programs with NPR Digital Services to advance the presentation and access of locally produced news content online for michiganradio.org. Additional impact for the michiganradio.org website started in July 2011 when the site was added to the Google News index.

The Google News feed creates numerous advantages for the news portal, michiganradio.org, including extra appearances in the search engine results pages (SERPs), which lead to attention from all over the internet. NPR Digital Services shared praise for the station’s efforts in a newsletter sent to NPR stations nationwide: *“Michigan Radio has built a national reputation for strong content quality guidelines -- which include timely reporting, original content, editorial authority, accountability, and user-friendliness. Michigan Radio produced quality news content in a timely manner, demonstrating authority over a local news topic. That's why Michigan Radio is winning a lot of Google searches, why it's able to reach an audience outside of its listeners...”*

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 additional personnel resources and expansion of community engagement events at the same time as many local media outlets are downsizing their local and regional news coverage.

In October 2011, the Michigan-China Connection was the focus of reporting by Michigan Radio's Tracy Samilton, who travelled to China along with Michigan Governor Rick Snyder during his trade mission to the country. She produced a series of stories about Michigan's evolving relationship with China. These issues were also explored by Tracy in a special one-hour news program on the topic.



On a local level beginning in June 2012, the station launched a new weekly feature, “That’s What They Say”, with University of Michigan Professor of English Anne Curzan. Professor Curzan communicates an interesting point of view about language use and grammar, and elicits passionate and informed response from listeners. It is expected that her segments will be able to create an engaging and thought provoking weekly series that highlights her knowledge and vibrant personality.

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

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

Another significant announcement came in June 2012. Michigan Radio was awarded a major three-year grant from the W.K. Kellogg Foundation to report on the many issues related to childhood poverty. The \$995,000 grant, the largest in the station’s history, will allow Michigan Radio to move beyond traditional radio reporting to reach a wide variety of audiences about the plight facing Michigan’s most vulnerable children. The project, called “State of Opportunity: Can Kids in Michigan Get Ahead?,” will utilize documentary feature reports, first-person storytelling, youth journalists, a robust online portal and Michigan Radio’s Public Insight Network to expose the barriers to achieving success for children of low income families in Michigan. This new funding will allow the station to dedicate three full time journalists to develop the content and community outreach in support of the grant.



At the end of fiscal year 2012, plans were underway to staff and launch a new one-hour local daily talk show on Michigan Radio. The show host is Cynthia Canty who will anchor a one-hour mix of live and pretaped interviews, as well as features and occasional call-in segments that help Michigan Radio listeners make sense of events and issues affecting the lives and lifestyle of Michigan. Ms. Canty is a veteran Michigan broadcast personality and journalist. Cyndy brings perspective from valuable career experiences as a reporter, consumer reporter, anchor and member of one of Metro Detroit’s top rated morning radio shows. Her reporting and writing earned her many awards, including an Emmy and honors from the Michigan Association of Broadcasters, the Associated Press and the Detroit Press Club. “Stateside with Cynthia Canty” will air live from 3-4pm Monday thru Thursday, with daily evening encore broadcasts at 10pm. The daily program begins in October 2012.



The journalism work of Michigan Radio has been honored in 2012 with a numerous awards. In fiscal year 2012, Michigan Radio was the recipient of over 35 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. The Murrow regional award honored the Changing Gears project as the best audio news series, the third such honor in four years for the station. The station also received the “General Excellence” award from the Michigan Associated Press and was honored once again as “Station of the Year” by the Michigan Association of Broadcasters. The extensive list of honors for Michigan Radio’s reporters and producers includes first place honors and merit awards from the Michigan Associated Press, the Society of Professional Journalists, the Michigan Association of Broadcasters and the Radio Television Digital News Association. A complete list of the awards and topics can be found at <http://michiganradio.org/michigan-radio-awards>.

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

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



Host Peter Sagal and announcer Carl Kasell entertained a sold out house of 4,800 fans at Detroit's Fox Theater for "Wait, Wait... Don't Tell Me," presented by Michigan Radio on January 19, 2012.

In 2012, Michigan Radio provided its listeners opportunities to engage with notable public radio personalities. In January 2012, Michigan Radio hosted a live national broadcast of NPR’s popular game show “Wait, Wait...Don’t Tell Me” from the Fox Theater in Detroit. A sold out audience of over 4,800 attended. As part of its Changing Gears community outreach, Michigan Radio hosted a panel discussion on “The Impact of the Global Economic Crisis”. Robin Young of public radio’s “Here & Now” program heard locally on Michigan Radio hosted the discussion. The event was co-sponsored by the Michigan Ross School of Business

conversations about important issues facing Michigan. Michigan Radio hosted four events between October 2011 thru June 2012. Events were held in Holland, Flint and Ann Arbor, on topics including alternative energy, climate change, K-12 education and Michigan’s emergency manager law. Attendance by listeners at the venues typically averaged 100 or more per occasion.

“Issues and Ale” is the moniker for the Michigan Radio event series designed to provide an informal setting to engage in

In summary, Michigan Radio’s listenership continues to be strong, with the coverage from its three FM radio stations reaching 80 percent of Michigan’s population. The listenership online through the audio streaming exceeds over 80,000 unique listeners monthly. The recent membership drive attracted gifts from donors in twenty-five states and four countries. 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+, Arbitron Ratings, Spring 2012, 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 \$9.3 million and liabilities of \$2.4 million at June 30, 2012, compared to assets of \$9.1 million and liabilities of \$2.2 million at June 30, 2011. Net assets, which represent the residual interest in Michigan Radio's assets after liabilities are deducted, totaled \$6.9 million at June 30, 2012.

Michigan Radio and Michigan Television were separate public telecommunications entities licensed by the Federal Communications Commission and operated by the University through its Michigan Public Media unit. After extensive operational reviews, analysis of revenue and income prospects, and an out-year forecast of business conditions, the University made the decision to discontinue operations of Michigan Television and its broadcast license and assets were sold during 2010. Due to its relationship as the remaining public broadcasting entity in the Michigan Public Media group, residual net assets of \$64,000 were transferred back to Michigan Radio during 2011.

Changes in net assets represent Michigan Radio's results of operations and are summarized for the years ended June 30, 2012 and 2011, as follows:

	2012	2011
	(in thousands)	
Operating revenues	\$ 3,086	\$ 2,706
Operating expenses	7,574	6,776
	(4,488)	(4,070)
Private gifts for operating purposes	3,769	3,705
General University appropriations	425	695
Other revenues, net	378	411
Increase in net assets before transfer from Michigan Television	84	741
Transfer from Michigan Television		64
Increase in net assets	\$ 84	\$ 805

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

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

Using the Financial Statements

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

Statement of Net Assets

The statement of net assets presents the financial position of Michigan Radio at the end of the year and includes all assets and liabilities of Michigan Radio. The difference between total assets and total liabilities – net assets – is one indicator of the current financial condition of Michigan Radio, while the change in net assets 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 assets at June 30, 2012 and 2011 is summarized as follows:

	2012	2011
	(in thousands)	
Current assets	\$ 7,059	\$ 6,637
Noncurrent assets	2,269	2,457
Total assets	9,328	9,094
Current liabilities:		
Accrued compensation	301	309
Deferred revenue	345	243
Other current liabilities	112	68
Total current liabilities	758	620
Noncurrent liabilities:		
Obligations for postemployment benefits	1,605	1,593
Total liabilities	2,363	2,213
Net assets	\$ 6,965	\$ 6,881

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

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

Current assets consist primarily of cash and cash equivalents, which totaled \$6.6 million at June 30, 2012 and \$6.0 million at June 30, 2011. Noncurrent assets consist primarily of capital assets, net of accumulated depreciation and amortization, which totaled \$1.5 million at June 30, 2012 and \$1.8 million at June 30, 2011. Current liabilities consist primarily of accrued compensation and deferred revenue which represents amounts received in advance of providing services.

Net Assets

Net assets represent the residual interest in Michigan Radio’s assets after liabilities are deducted. The composition of Michigan Radio’s net assets at June 30, 2012 and 2011 is summarized as follows:

	2012	2011
	(in thousands)	
Invested in capital assets, net of related debt	\$ 1,508	\$ 1,794
Restricted:		
Nonexpendable	39	39
Expendable	168	60
Unrestricted	5,250	4,988
	\$ 6,965	\$ 6,881

Net assets invested in capital assets represent Michigan Radio’s capital assets net of accumulated depreciation and amortization and accounts payable attributable to the acquisition, construction or improvement of those assets.

Restricted nonexpendable net assets represent the historical value (corpus) of gifts to Michigan Radio’s permanent endowment funds. Restricted expendable net assets are subject to externally imposed stipulations governing their use. This category of net assets includes net appreciation of permanent endowments, funds functioning as endowment and net assets restricted for operations and facilities. Funds granted for support of a specific operational project also contribute to the restricted expendable balance.

Although unrestricted net assets are not subject to externally imposed stipulations, Michigan Radio’s unrestricted net assets have 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 Assets

The statement of revenues, expenses and changes in net assets 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 assets for the three years ended June 30, 2012 is summarized as follows:

	2012	2011	2010
	(in thousands)		
Operating revenues	\$ 3,086	\$ 2,706	\$ 2,545
Operating expenses	7,574	6,776	6,973
Operating loss	(4,488)	(4,070)	(4,428)
Nonoperating revenues:			
Private gifts for operating activities	3,769	3,705	3,434
General University appropriations	425	695	695
Indirect administrative support	359	339	391
Net investment income	19	72	16
Nonoperating revenues	4,572	4,811	4,536
Income before other expenses	84	741	108
Other expenses	-	-	(2)
Increase in net assets	84	741	106
Transfer from (to) Michigan Television		64	(1,894)
Net assets, beginning of year	6,881	6,076	7,864
Net assets, end of year	\$ 6,965	\$ 6,881	\$ 6,076

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, 2012 is as follows:

	2012	2011	2010
	(in thousands)		
Underwriting	\$ 1,508	\$ 1,390	\$ 1,433
Corporation for Public Broadcasting grants	701	866	528
Federal and nongovernmental sponsored programs	391	37	160
Trade	192	178	226
Other	294	235	198
	\$ 3,086	\$ 2,706	\$ 2,545

Total operating revenues increased 14 percent, or \$380,000, to \$3.1 million in 2012 due primarily to increases in grants from the Kellogg Foundation. This funding provided support for development and commencement of the *State of Opportunity* project, which will continue through 2015. The Community Service Grant from the Corporation for Public Broadcasting is an important ongoing source of support for program fees. In 2012, this grant increased to \$476,000 or 13 percent from the \$420,000 in 2011 grant. The level of this grant is determined in part by the total of other sources of support, so Michigan Radio’s successful underwriting and membership fundraising are important contributors. Underwriting revenue increased \$118,000, or 8 percent, to \$1.5 million in 2012. 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 \$3.8 million in 2012, an increase of \$64,000, or 2 percent, from 2011. 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 provides support to Michigan Radio in the form of general appropriations and indirect administrative support. University appropriations held steady at \$695,000 from 2008 - 2011. However, this appropriation was cut to \$425,000 in 2012 in response to decreasing support for higher education from the state. Indirect administrative support represents an allocation of costs of 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, 2012 is as follows:

	2012	2011	2010
	(in thousands)		
Direct:			
Programming and production	\$ 3,871	\$ 3,611	\$ 3,665
Engineering	649	495	490
Development	1,744	1,510	1,507
Management and general	951	821	920
	7,215	6,437	6,582
Indirect:			
Programming and production	187	191	214
Engineering	33	26	36
Development	90	79	88
Management and general	49	43	53
	359	339	391
Total operating expenses	\$ 7,574	\$ 6,776	\$ 6,973

Operating expenses increased 12 percent, or \$798,000, to \$7.6 million, in 2012. Programming expenses rose \$260,000 due to an increase in payroll expenses of \$135,000 for staff working on new programs and sponsored projects. Program fees increased by \$41,000. Engineering expenses increased \$154,000 primarily because of rent and utilities payments to Central Michigan University for lease back of tower space for WFUM-FM subsequent to the sale of Michigan Television. Development expenses increased by \$234,000. Contributors to this increase are a \$50,000 increase in salaries and fringe benefits due to both increased support of the Major Gifts Program and increased commission payments earned by the underwriting account executives. There was also a \$41,000 increase in payments to consultants and outside services for increased mailings and consulting services for enhancement of the overall development strategy. Postage increased \$28,000 because of increased mailings and to ship popular new premium items. Premium supply expense also increased by \$40,000 in response to donor demand. Major events, *The Moth* and *A Prairie Home Companion*, generated an additional \$20,000 in trade revenue. Additionally, \$25,000 was invested in development staff for conferences and training to prepare the team to meet the challenge of future initiatives.

The \$130,000 increase in Management and General expense was due almost entirely to the transfer of funds to another university unit in support of the Michigan Channel. This will not be an ongoing expense.

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

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

Indirect expenses represent an allocated amount for institutional support incurred by the University on behalf of Michigan Radio, and are reflected as both indirect operating expense and nonoperating revenue.

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, 2012 and 2011 is as follows:

	2012	2011
	(in thousands)	
Cash received from operations	\$ 2,908	\$ 2,614
Cash expended for operations	(6,459)	(5,915)
Net cash used in operating activities	(3,551)	(3,301)
Net cash used in investing activities	(80)	(529)
Net cash provided by noncapital financing activities	4,226	4,419
Net increase in cash and cash equivalents	595	589
Cash and cash equivalents, beginning of year	6,005	5,416
Cash and cash equivalents, end of year	\$ 6,600	\$ 6,005

WUOM/WVGR/WFUM
(A PUBLIC TELECOMMUNICATIONS ENTITY
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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 Corporation for Public Broadcasting, corporate and federal sponsors and private giving.

Michigan Radio is addressing a phased elimination of funding from University appropriations whereby appropriations will be reduced to \$100,000 in fiscal year 2013 and fully eliminated in fiscal year 2014.

The Community Service Grant from the Corporation for Public Broadcasting ("CPB") is a significant source of funding for Michigan Radio. CPB funding has been subject to much congressional debate over the past year. Should funding for CPB be cut at the national level, or funding be diverted from support for radio broadcasting, this could impact the overall financial picture of public broadcasting nationwide. Fiscal year 2013 funding is assured, but a level of uncertainty remains for future years.

Over the past several years, Michigan Radio has been successful in its efforts to diversify revenue streams and reduce administrative and operational costs to meet the challenges from the continuation of a difficult economic environment. Efforts to develop a strategic plan, train staff to meet ongoing challenges and partner with other units of the University to capitalize on existing development efforts are all focused on future sustainability.

The strength of Michigan Radio's programming is supported primarily by the success of past membership fundraising campaigns and corporate underwriting sponsorship. The continued increases 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.

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 Assets

	June 30,	
	2012	2011
Assets		
Current Assets:		
Cash and cash equivalents on deposit with the University	\$ 6,600,186	\$ 6,005,208
Accounts receivable, net	249,983	162,324
Pledges receivable, net	101,977	134,201
Prepaid expenses	50,335	298,216
Premium inventory	25,602	7,647
Other	30,822	29,696
Total Current Assets	7,058,905	6,637,292
Noncurrent Assets:		
Capital assets, net	1,507,714	1,794,123
Endowment investments on deposit with the University	761,225	663,316
Total Noncurrent Assets	2,268,939	2,457,439
Total Assets	\$ 9,327,844	\$ 9,094,731
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 54,025	\$ 20,127
Accrued compensation	300,884	309,151
Deferred revenue	344,578	243,169
Obligations for postemployment benefits	58,000	48,000
Total Current Liabilities	757,487	620,447
Noncurrent Liabilities:		
Obligations for postemployment benefits	1,605,100	1,593,100
Total Liabilities	2,362,587	2,213,547
Net Assets:		
Invested in capital assets, net of related debt	1,507,714	1,794,123
Restricted:		
Nonexpendable	39,310	39,065
Expendable	168,333	60,278
Unrestricted	5,249,900	4,987,718
Total Net Assets	6,965,257	6,881,184
Total Liabilities and Net Assets	\$ 9,327,844	\$ 9,094,731

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 Assets**

	Year Ended June 30,	
	2012	2011
Operating Revenues		
Underwriting	\$ 1,507,875	\$ 1,390,451
Corporation for Public Broadcasting grants	700,628	866,041
Nongovernmental sponsored programs	376,897	20,474
Federal grants and contracts	14,136	15,995
Trade	192,255	178,259
Rental income	100,954	102,035
Premium sales	149,309	87,068
Other	44,171	45,479
Total Operating Revenues	3,086,225	2,705,802
Operating Expenses		
Program Services:		
Programming and production	4,058,124	3,801,207
Engineering	682,635	520,551
Total Program Services	4,740,759	4,321,758
Supporting Services:		
Development	1,833,816	1,589,435
Management and general	999,739	864,522
Total Supporting Services	2,833,555	2,453,957
Total Operating Expenses	7,574,314	6,775,715
Operating loss	(4,488,089)	(4,069,913)
Nonoperating Revenues		
Private gifts for other than capital and endowment purposes	3,768,492	3,705,251
General appropriations from the University	425,219	695,212
Indirect administrative support from the University	358,737	338,841
Net investment income	19,469	71,648
Total Nonoperating Revenues	4,571,917	4,810,952
Increase in net assets before other revenues	83,828	741,039
Other Revenues		
Private gifts for permanent endowment purposes	245	
Total Other Revenues	245	-
Increase in net assets before transfer from Michigan Television	84,073	741,039
Transfer from Michigan Television		63,812
Net Assets, Beginning of Year	6,881,184	6,076,333
Net Assets, End of Year	\$ 6,965,257	\$ 6,881,184

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,	
	2012	2011
Cash Flows from Operating Activities		
Underwriting	\$ 1,452,665	\$ 1,405,838
Corporation for Public Broadcasting grants	473,250	970,097
Nongovernmental sponsored programs	661,525	5,000
Federal grants and contracts	14,805	10,500
Rental income	111,995	90,057
Premium sales	149,309	87,068
Other receipts	44,171	45,479
Payments for salaries and benefits	(3,535,892)	(3,288,759)
Payments for program rights	(1,085,243)	(1,300,358)
Payments for operating and administrative expenses	(1,838,221)	(1,326,004)
Net Cash Used in Operating Activities	(3,551,636)	(3,301,082)
Cash Flows from Investing Activities		
Purchase of investments	(97,909)	(593,818)
Net investment income	18,343	64,733
Net Cash Used in Investing Activities	(79,566)	(529,085)
Cash Flows from Noncapital Financing Activities		
Private gifts	3,800,961	3,660,351
General appropriations from the University	425,219	695,212
Transfer from Michigan Television		63,812
Net Cash Provided by Noncapital Financing Activities	4,226,180	4,419,375
Net increase in cash and cash equivalents	594,978	589,208
Cash and Cash Equivalents, Beginning of Year	6,005,208	5,416,000
Cash and Cash Equivalents, End of Year	\$ 6,600,186	\$ 6,005,208

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,	
	2012	2011
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (4,488,089)	\$ (4,069,913)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Indirect administrative support	358,737	338,841
Depreciation and amortization expense	286,409	290,217
Obligations for postemployment benefits	22,000	43,000
Changes in assets and liabilities:		
Accounts receivable, net	(87,659)	10,650
Prepaid expenses	247,881	1,401
Premium inventory	(17,955)	(3,927)
Accounts payable	33,898	1,787
Accrued compensation	(8,267)	11,016
Deferred revenue	101,409	75,846
Net cash used in operating activities	\$ (3,551,636)	\$ (3,301,082)

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, 2012 and 2011

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 assets 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”), and the American Institute of Certified Public Accountants’ Audit and Accounting Guide, *Audits of State and Local Governments*. Michigan Radio has the option of applying pronouncements issued by the Financial Accounting Standards Board (“FASB”) after November 30, 1989, provided that such pronouncements do not conflict or contradict GASB pronouncements. Michigan Radio has elected not to apply any FASB pronouncements issued after the applicable date.

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 assets are categorized as:

- Invested in capital assets, net of related debt: 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 assets subject to externally imposed stipulations that they be maintained permanently. Such net assets include 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 assets 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 assets include net appreciation of Michigan Radio’s permanent endowment funds that have not been stipulated by the donor to be reinvested permanently.
- Unrestricted: Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management, the Regents or may otherwise be limited by contractual agreements with outside parties.

During 2012, Michigan Radio discovered that its allocation of purchased program content was not performed consistent with the dates that the content was purchased for usage. Accordingly, net assets as of July 1, 2010 and June 30, 2011 have been revised by approximately \$234,000 and \$245,000, respectively, to reflect prepaid program content. In addition, a prepaid asset of approximately \$245,000 was recorded in the statement of net assets as of June 30, 2011 to reflect prepaid program content and programming expense was decreased by approximately \$11,000 to reflect the proper expense in fiscal 2011. The effect of this revision is not considered material to the financial position, results of operations or cash flows of Michigan Radio.

Summary of Significant Accounting Policies: The accompanying financial statements have been prepared on the accrual basis. Michigan Radio reports as a special purpose government entity engaged primarily in business type activities, as defined by GASB. 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

Cash equivalents represent investments in the University Investment Pool, a short-term commingled pool managed by the University that can be readily liquidated to pay contractual liabilities. 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.

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.

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.

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.

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

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.

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

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 licensing access to Michigan Radio’s west Michigan tower (approximately \$100,000 per year) pursuant to lease agreements. 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. The University also provides indirect administrative support, which represents an allocated amount for institutional support incurred by the University on behalf of Michigan Radio.

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

Institutional support consists of allocated finance, human resources, development, technology, sponsored programs and other administrative costs. Indirect administrative support is reflected as nonoperating revenue and operating expense as incurred in the accompanying statement of revenues, expenses and changes in net assets. 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 assets. Accordingly, certain costs have been allocated among the program and supporting activities using the objective basis, percentage of expenses.

Michigan Radio's policy for defining operating activities as reported on the statement of revenues, expenses and changes in net assets 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.

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

Notes to Financial Statements--Continued

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.

The University's investment policies are governed and authorized by University Bylaws and the Board of Regents. The approved asset allocation policy for the Long Term Portfolio 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, 2012 and 2011, the Long Term Portfolio consisted of cash and equivalents (1 percent and 4 percent), fixed income securities (10 percent and 7 percent), U.S. and non-U.S. equities (10 percent and 12 percent), commingled funds (18 percent and 18 percent), and nonmarketable alternative investments (61 percent and 59 percent).

Commingled (pooled) funds 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. These investments are structured to limit the University's risk exposure to the amount of invested capital.

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

Notes to Financial Statements--Continued

Note 2--Cash and Investments--Continued

Nonmarketable alternative investments 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, energy 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.

Distributions are made from the UEF to Michigan Radio 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 are being managed toward the new rate by keeping quarter to quarter distributions per share unchanged and gradually moving toward the 4.5 percent rate only when increases in share value would otherwise result in higher per share distributions. 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 units. 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.

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 13 percent and 15 percent of the portfolio at June 30, 2012 and 2011, 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 assets and is not represented by the contract or notional amounts of the instruments.

Note 3--Accounts Receivable

The composition of accounts receivable at June 30, 2012 and 2011 is summarized as follows:

	2012	2011
Underwriting	\$ 183,133	\$ 159,140
Other	71,756	4,370
	254,889	163,510
Less provision for uncollectible accounts receivable	4,906	1,186
	<u>\$ 249,983</u>	<u>\$ 162,324</u>

Note 4--Pledges Receivable

The composition of pledges receivable at June 30, 2012 and 2011 is summarized as follows:

	2012	2011
Gift pledges outstanding	\$ 178,907	\$ 268,402
Less allowance for doubtfully collectible pledges	76,930	134,201
	<u>\$ 101,977</u>	<u>\$ 134,201</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, 2012 and 2011 is summarized as follows:

	2012			
	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$ 290,238			\$ 290,238
Transmitter, tower and equipment	1,956,390			1,956,390
Leasehold improvements	1,595,490			1,595,490
	3,842,118	\$ -	\$ -	3,842,118
Less accumulated depreciation and amortization	2,047,995	286,409		2,334,404
	<u>\$ 1,794,123</u>	<u>\$ (286,409)</u>	<u>\$ -</u>	<u>\$ 1,507,714</u>

	2011			
	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$ 290,238			\$ 290,238
Transmitter, tower and equipment	1,956,390			1,956,390
Leasehold improvements	1,595,490			1,595,490
	3,842,118	\$ -	\$ -	3,842,118
Less accumulated depreciation and amortization	1,757,778	290,217		2,047,995
	<u>\$ 2,084,340</u>	<u>\$ (290,217)</u>	<u>\$ -</u>	<u>\$ 1,794,123</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 reversionary interest in the West Michigan Radio Tower, which had an original cost of \$1,298,349, extends through 2017. The reversionary interest in studio broadcast equipment upgrades, which had an original cost of \$137,937, extended through calendar year 2010.

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 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 the parameters of 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 liabilities in Michigan Radio's obligations for postemployment benefits for the years ended June 30, 2012 and 2011 are summarized as follows:

	2012	2011
Balance, beginning of year	\$ 1,641,100	\$ 1,598,100
Recurring postemployment benefits expense	63,000	77,000
Payments of current premiums and claims	(41,000)	(34,000)
Balance, end of year	1,663,100	1,641,100
Less current portion	58,000	48,000
	<u>\$ 1,605,100</u>	<u>\$ 1,593,100</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, 2012 and 2011 as a percentage of covered payroll of \$2,705,078 and \$2,509,885 was 61 percent and 65 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, 2012 and 2011 are as follows:

	2012	
	<u>Retiree Health and Welfare</u>	<u>Long-term Disability</u>
Discount Rate	6.08%	7.88%
Inflation Rate	3.0%	3.0%
Immediate/Ultimate Medical Trend Rate	6.0%-7.0%/5.0%	6.0%-7.0%/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)
	2011	
	<u>Retiree Health and Welfare</u>	<u>Long-term Disability</u>
Discount Rate	6.08%	7.88%
Inflation Rate	3.0%	3.0%
Immediate/Ultimate Medical Trend Rate	7.0%-7.5%/5.0%	7.0%/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 6--Postemployment Benefits--Continued

During fiscal 2011, the University announced changes to eligibility requirements for retiree health benefits and the related amount of university contribution. These changes are based on the work of a committee on retiree health benefits that was formed to propose a means to maintain competitive retiree health benefits while helping address the acceleration of health benefits costs for current and future retirees and their dependents. To assist current employees with the transition, changes will be phased in gradually over an eight year period January 1, 2013 through January 1, 2021. These plan changes resulted in a reduction in the University's actuarially determined liability and are being amortized into Michigan Radio's net obligation for postemployment benefits over ten years.

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. Effective January 1, 2010, 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 participants' additional contributions) for the three years ended June 30, 2012 are summarized as follows:

	2012	2011	2010
Michigan Radio contributions	\$ 245,909	\$ 206,011	\$ 214,350
Employee contributions	\$ 127,154	\$ 104,471	\$ 105,623
Payroll covered under plan	\$ 2,705,078	\$ 2,509,885	\$ 2,244,224
Total payroll	\$ 2,712,298	\$ 2,570,895	\$ 2,489,380

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

Notes to Financial Statements--Continued

Note 8--Contingencies and Commitments

Michigan Radio has entered into operating leases for space, which expire at various dates through 2013. Outstanding commitments for these leases are expected to be paid in the following years ended June 30:

2013	\$ 207,217
2014	214,003
2015	42,070
	<u>\$ 463,290</u>

Note 9--Transactions with the University of Michigan

Michigan Radio and Michigan Television were separate public telecommunications entities licensed by the Federal Communications Commission and operated by the University through its Michigan Public Media unit. After extensive operational reviews, analysis of revenue and income prospects and an out-year forecast of business conditions, the University made the decision to discontinue operations of Michigan Television and its broadcast license and assets were sold during 2010. Due to its relationship as the remaining public broadcasting entity in the Michigan Public Media group, Michigan Radio transferred \$1,893,812 of accumulated unrestricted reserves to retire Michigan Television's net remaining deficit in 2010. After all residual transactions were finalized, and obligations met, \$63,812 was transferred back to Michigan Radio in 2011.



**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, 2012 and for the year then ended and our report thereon appears on page 1 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 21, 2012

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

**Schedule of Functional Expenses
For the Year Ended June 30, 2012**

	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	\$ 1,791,383	\$ 216,665	\$ 2,008,048	\$ 884,969	\$ 656,608	\$ 1,541,577	\$ 3,549,625
Program fees	1,329,797		1,329,797			-	1,329,797
Depreciation and amortization	153,157	27,552	180,709	65,542	40,158	105,700	286,409
Indirect administrative support	186,630	33,413	220,043	89,760	48,934	138,694	358,737
Professional services	270,153	78,602	348,755	191,241	50,204	241,445	590,200
Equipment and space rental	108,359	69,387	177,746	46,209	27,071	73,280	251,026
Advertising	24,911		24,911	196,392	1,109	197,501	222,412
Supplies	4,516	68,901	73,417	152,594	12,224	164,818	238,235
Travel and conferences	59,516	5,434	64,950	42,726	10,190	52,916	117,866
Telecommunications	27,654	52,035	79,689	11,981	5,941	17,922	97,611
Repairs and maintenance		27,925	27,925		19,920	19,920	47,845
Utilities	16,447	102,959	119,406	7,171	4,313	11,484	130,890
Postage and freight	656	(1,018)	(362)	80,118	170	80,288	79,926
Surveys and ratings	869	780	1,649	60		60	1,709
Merchant service fees	5,204		5,204	57,959	238	58,197	63,401
Memberships and dues	33,964		33,964	7,094	711	7,805	41,769
Other	44,908		44,908		121,948	121,948	166,856
Total Operating Expenses	\$ 4,058,124	\$ 682,635	\$ 4,740,759	\$ 1,833,816	\$ 999,739	\$ 2,833,555	\$ 7,574,314

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

**Schedule of Functional Expenses
For the Year Ended June 30, 2011**

	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	\$ 1,656,282	\$ 208,084	\$ 1,864,366	\$ 825,772	\$ 652,636	\$ 1,478,408	\$ 3,342,774
Program fees	1,288,942		1,288,942			-	1,288,942
Depreciation and amortization	167,810	22,913	190,723	61,441	38,053	99,494	290,217
Indirect administrative support	190,499	26,011	216,510	79,132	43,199	122,331	338,841
Professional services	228,717	35,148	263,865	150,054	33,648	183,702	447,567
Equipment and space rental	104,661	23,806	128,467	40,251	23,525	63,776	192,243
Advertising	4,689		4,689	178,387	30	178,417	183,106
Supplies	10,314	71,128	81,442	122,193	14,374	136,567	218,009
Travel and conferences	35,619	6,037	41,656	17,482	6,516	23,998	65,654
Telecommunications	24,341	11,730	36,071	12,031	3,652	15,683	51,754
Repairs and maintenance		22,261	22,261	77	28,276	28,353	50,614
Utilities		92,370	92,370	148	34,485	34,633	127,003
Postage and freight	1,156	253	1,409	52,718	92	52,810	54,219
Surveys and ratings	739	780	1,519			-	1,519
Merchant service fees	4,148		4,148	48,424		48,424	52,572
Memberships and dues	26,654	30	26,684	725	2,341	3,066	29,750
Other	56,636		56,636	600	(16,305)	(15,705)	40,931
Total Operating Expenses	\$ 3,801,207	\$ 520,551	\$ 4,321,758	\$ 1,589,435	\$ 864,522	\$ 2,453,957	\$ 6,775,715