



91.7 FM Ann Arbor/Detroit
104.1 FM West Michigan
91.1 FM Flint

Your NPR News Station 

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

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 and 2014
with
INDEPENDENT AUDITOR'S REPORT**

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

June 30, 2015 and 2014

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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, 2015 and 2014 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, 2015 and 2014, and the respective 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, 2015 and 2014, 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 18 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 10, 2015

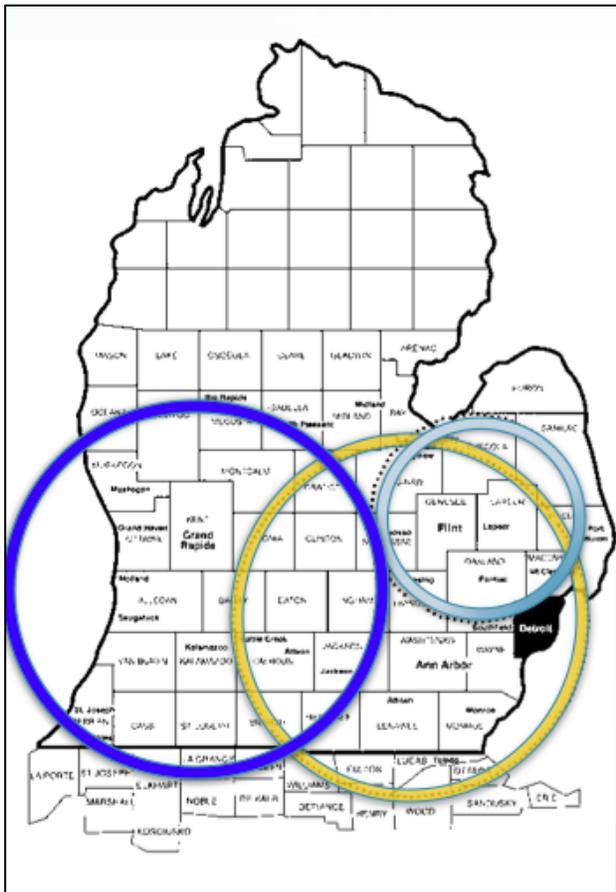
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Management’s Discussion and Analysis (Unaudited)

Introduction

The following discussion and analysis provides an overview of the financial position of WUOM/WVGR/WFUM (“Michigan Radio”) at June 30, 2015 and 2014 and its activities for the three fiscal years ended June 30, 2015. 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 2015, Michigan Radio continues to be the most listened to public radio service in Michigan, with approximately 504,000 listeners each week. (Source: National Regional Database, Nielsen Audio, Fall 2014, Persons 12+, M-Su 6a-12m)

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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 504,000 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 news and information 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 2015, traffic to michiganradio.org topped 2.0 million users per year, with over 5.9 million page views. Compared to 2014, users declined 4 percent and page views were down 16 percent (*Source: Google Analytics Audience Overview, All Sessions, michiganradio.org, July 1 2014 to June 30, 2015*). The mid-single digit user decline in website traffic is consistent with a similar softness in over the air broadcast listenership during the comparable period.

Michigan Radio's online audio streaming service continues to be popular. The average number of unique monthly connections for 2015 was 108,000, reflecting a 2 percent decline compared to 110,000 unique monthly connections for 2014. A trend that has developed in the last year and is consistent throughout the industry, is that while many listeners are connecting to our stream in a given month, they are connecting less frequently and for shorter periods. The online streaming audience is experiencing this transition due to 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 past, when accessing the audio stream through desktop devices was more prevalent, listening sessions were longer.

As we assess the growing impact of the digital space for consumption of content, we are informed by results from the 7th annual Public Radio Technology Survey ("PRTS7") from Jacobs Media in Southfield, MI, which documents the critical role of an online presence, including audio and text. According to PRTS7 issued in September 2015, 7 percent of respondents were listening to Public Radio less in the last year, with the predominant reason being a lifestyle change (e.g. less time, work change, personal reasons). It should be noted that the growth in adoption of non-radio devices is defining a continuing trend and eroding a base of traditional radio set usage. In the latest data, 78 percent of PRTS7 respondents own a smartphone, while 65 percent carry a tablet.

The PRTS7 survey also tracked user feedback specific to Michigan Radio-WUOM, where one of the markers of the digital platform preference growth is clear. Michigan Radio listeners have a higher proportional use of digital listening at 25 percent, versus a traditional over-the-air

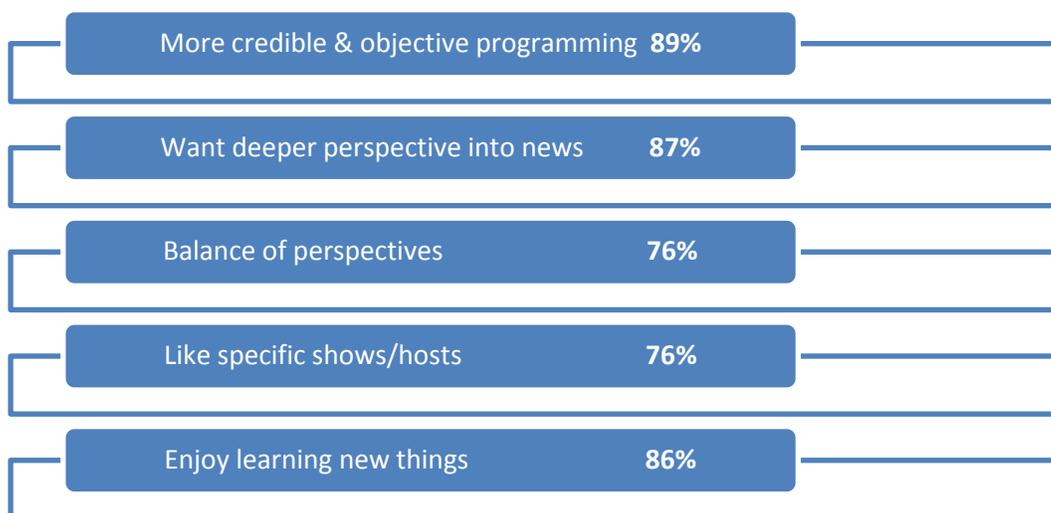
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Management’s Discussion and Analysis (Unaudited)--Continued

broadcast signal of 72 percent. The usage preference of digital over traditional with our audience is 25 percent higher than the national survey results for PRTS7.

The PRTS7 survey also helps identify our unique appeal factors with our audience.

The Top 5 Reasons cited by Michigan Radio listeners as to why they listen:



(Source: Public Radio Technology Survey (“PRTS7”) from Jacobs Media in Southfield, MI, September 2015)



The Michigan Radio social media channels experienced consistent growth during 2015. The Michigan Radio station’s Facebook page “likes” totaled 33,317 as of June 30, 2015 representing an increase of 9 percent over the previous year. The daily reach of the Michigan Radio Facebook page also increased by 30 percent to 31,523 as of June 30, 2015.



Our Twitter (@michiganradio) channel followers totaled 30,000 as of June 30, 2015, a 13 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 796,500 impressions (number of people who saw our tweets) in 2015. Other engagement data revealed 2,500 link clicks to our website, 586 retweets and 374 favorited items during 2015.

Michigan Radio’s news reports, shows and segments are available not just on-air to the half a million people who listen to the broadcast signals each week, but also through an in-depth online news service at michiganradio.org that provides updated news stories throughout the day to more than 184,000 unique users per month and streaming audio of the station to nearly 122,000 people

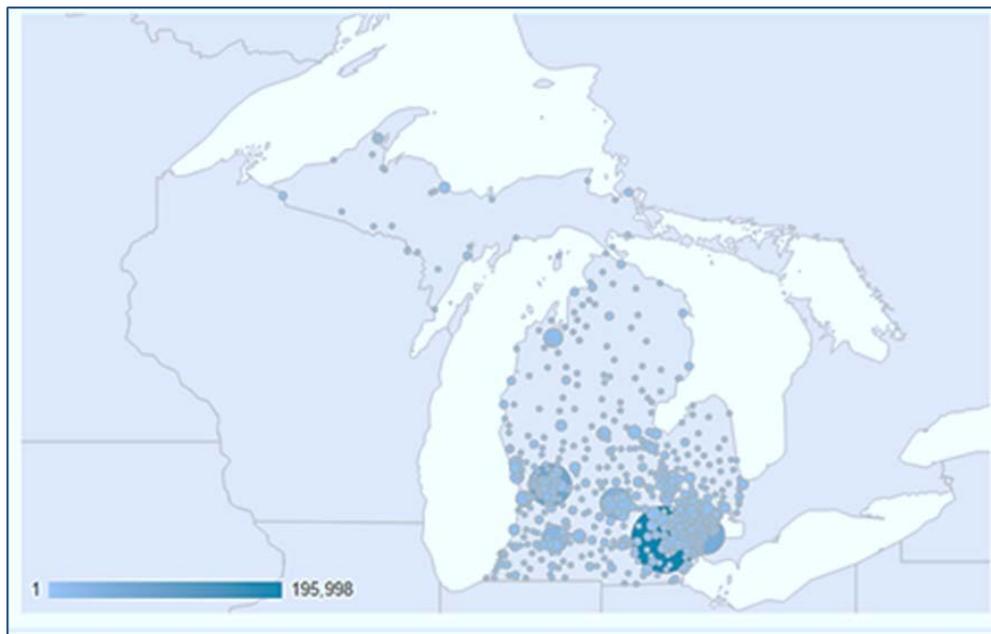
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Management’s Discussion and Analysis (Unaudited)--Continued

per month. *State of Opportunity’s* micro site saw its use double from May 1, 2014 to April 30 2015, as over 230,000 people visited the project website up from almost 90,000 the year before.

From December 2014 through May 2015, 62 percent of our overall unique online visitors originated in the state of Michigan, according to Google Analytics reports. The top five communities using the site are Ann Arbor, Grand Rapids, Detroit, Lansing and Kalamazoo. Citizens of the state from as far away as Keweenaw in the Upper Peninsula accessed the website.

Digital Density Usage mapping of the michiganradio.org website



The graphic map above depicts density of usage of michiganradio.org by overall online unique visitors originated in the state of Michigan for the Fiscal Year 2015. Source: Google Analytics

In 2015, Michigan Radio’s website switched to a responsive design, making it more readable and accessible to the growing number of users who are using mobile devices to read and listen to the station. Michigan Radio also switched to a new version of our app for iOS, Android and Ford Sync systems.

The app has improved presentation of news stories and increased reliability to the stream handling. Michigan Radio switched to NPR Digital Services as its new streaming provider in order to improve certainty of quality connections for our users and faster innovation. This

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

change consolidates digital assets with one provider and allows us to take advantage of innovation and developments. Michigan Radio is also participating in the piloting phase of a new streaming player technology.

Now in its fifth year, the station’s custom designed Michigan Radio iPhone app continued to attract users and downloads from across the state and beyond. In 2015, 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. In 2015 app activity (downloads and upgrades) includes 67,787 Apple and iPhone users, a 19 percent increase over 2014. Over its five year history, the downloads and upgrades of the Michigan Radio Apple app total 221,342, with 12 percent of that total logged in 2015. (Source: JacApps analytics, Jacobs Media in Southfield, MI, September 2015)

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 a time when many local media outlets are downsizing their local and regional news coverage.



Stateside with Cynthia Canty (“*Stateside*”) marked its third 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 May 2015, *Stateside* originated its first program outside the Ann Arbor studios, with a live show broadcast from the Grand Rapids Art Museum. The success of this initial remote broadcast and the potential positive reception to bringing the program to our various listener markets across the state has encouraged the staff to plan more remote program originations in the coming year.



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

It has been three years since Michigan Radio began its partnership with the W.K. Kellogg Foundation. During the third year of the *State of Opportunity* project, we produced over 11 hours of meaningful public radio journalism that explores the intersection of child and family poverty with a broad range of issues such as race, health, education, family, gender and public policy. We have also increased our work in Michigan communities by convening community discussions, developing partnerships with other news outlets and social service organizations and building relationships with individuals.



The *State of Opportunity* project has continued to bring issues about children and poverty to tens of thousands of people. The project's news coverage is made available to nearly 90 percent of the state's population through Michigan Radio and Interlochen Public Radio, and thousands more are reached via online platforms (i.e., project website, Facebook, Twitter). In 2015, Michigan Radio's *State of Opportunity* project partnered with the non-profit Michigan's Children to host a series of events where young people could question candidates for state legislature about their policies affecting youth. Events were held in Kalamazoo, Grand Rapids, Lansing and Mt. Clemens.

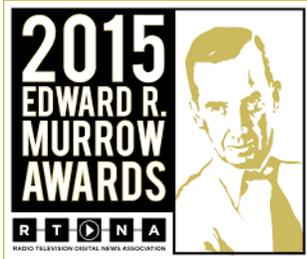
In a 2015 survey of Michigan Radio listeners, the Jacobs Media research firm found that *State of Opportunity* is "considered thought-provoking, in-depth, educational, well-produced and earns kudos for tackling an under-reported problem." The study found that 7 out of 10 listeners of *State of Opportunity* have taken action, especially women and 18-34 year olds, and some yearn for more concrete ways to help. Mature listeners are more apt to contribute money and volunteer, while younger listeners are more apt to share content and discuss the issues.

The journalism work of Michigan Radio continues to be honored with numerous awards. Led by News Director Vincent Duffy and Program Director Tamar Charney, 12 members of Michigan Radio's news staff received recognition of their work through the awards earned in the past year.

In 2015, Michigan Radio was the recipient of 25 journalism awards from various national, regional and statewide review organizations. Among these are four prestigious regional Edward R. Murrow awards, and a Wade H. McCree Award for the Advancement of Justice from the State Bar of Michigan. 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.

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



A notable awarded story was enterprised by Senior Editor Mark Brush for Best Investigative Coverage. The story, “What is the condition of the oil pipeline under the Great Lakes?”, created a statewide stir and earned the Edward R. Murrow, Regional Large Market Radio Award from the Radio Television Digital News Association. A complete list of these awards and topics can be found at michiganradio.org/michigan-radio-awards.

Grant support from the foundation community and federal programs provide support for new initiatives for the station. Over the course of 2015, Michigan Radio managed ten grant-funded projects (two federal, eight nonfederal) totaling nearly \$2.4 million. This figure includes the time extension and increase in funding for *State of Opportunity*. The project, backed by the W.K. Kellogg Foundation, represents the largest grant award in the station’s history and is now five years in length and totals \$1.7 million. Also included in the figure is one Community Service Grant (“CSG”) from the Corporation for Public Broadcasting (“CPB”) totaling \$463,000.

This year, Michigan Radio once again provided its listeners opportunities to engage with our public radio personalities, notable newsmakers and subject matter 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. Michigan Radio’s popular “Issues & Ale” live discussion series continued with 12 events held during the fiscal year. Over 750 people attended these discussions in communities including Grand Rapids, East Lansing, Kalamazoo, Ypsilanti, Ann Arbor, Brighton and Detroit. A wide range of topics were discussed during these sessions including, the future of Detroit schools, fracking, kids and violence, arsenic in our drinking water and the 2014 election.

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

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 storytelling 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. In June, the station also hosted the *Moth Mainstage* show at the Michigan Theater in Ann Arbor, which featured storytellers from across Michigan and the nation. In May, Michigan Radio presented Garrison Keillor’s live national broadcast of the popular “A Prairie Home Companion” to a sold out house of 4,600 at Detroit’s Fox Theatre.



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. Michigan Radio, with its award winning news and information service, is proud to maintain the distinction as the most listened to public radio station in the state, as well as the most listened to public radio news station in the states two largest markets, metro Detroit and Grand Rapids. (Source: Adults 12+, Nielsen Audio, Spring 2015, Total Survey Area, Mon. – Sun., RRC)

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

Financial Highlights

Michigan Radio's financial position remains strong, with assets of \$9.9 million and liabilities of \$2.2 million at June 30, 2015, compared to assets of \$9.5 million and liabilities of \$2.1 million at June 30, 2014. Net position, which represents the residual interest in Michigan Radio's assets after liabilities are deducted, totaled \$7.7 million at June 30, 2015.

Changes in net position represent Michigan Radio's results of operations and are summarized for the years ended June 30, 2015 and 2014 as follows:

	2015	2014
	(in thousands)	
Operating revenues	\$ 2,758	\$ 2,779
Operating expenses	7,515	7,122
Operating loss	(4,757)	(4,343)
Private gifts for operating purposes	4,622	4,136
Other revenues, net	442	655
Increase in net position	\$ 307	\$ 448

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.

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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, 2015 and 2014 is summarized as follows:

	2015	2014
	(in thousands)	
Current assets	\$ 5,956	\$ 5,471
Noncurrent assets	3,918	4,002
Total assets	9,874	9,473
Current liabilities:		
Accrued compensation	316	321
Unearned revenue	120	42
Other current liabilities	102	99
Total current liabilities	538	462
Noncurrent liabilities:		
Obligations for postemployment benefits	1,673	1,655
Total liabilities	2,211	2,117
Net position	\$ 7,663	\$ 7,356

Current assets consist primarily of cash and cash equivalents, which totaled \$5.6 million at June 30, 2015 and \$5.1 million at June 30, 2014. Noncurrent assets consist of endowment investments, which totaled \$2.7 million at both June 30, 2015 and 2014, and capital assets, net of accumulated depreciation and amortization, which totaled \$1.2 million at both June 30, 2015 and 2014. Due to some uncertainty in revenue sources, particularly a softening in corporate support, Michigan Radio elected to delay further investment in Michigan Radio’s endowment. Investing in the endowment with the goal of creating a stable revenue stream is part of a strategic plan to eventually offset the loss of institutional financial support from the University 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.

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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, 2015 and 2014 is summarized as follows:

	2015	2014
	(in thousands)	
Net investment in capital assets	\$ 1,164	\$ 1,244
Restricted:		
Nonexpendable	44	44
Expendable	2	11
Unrestricted	6,453	6,057
	\$ 7,663	\$ 7,356

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.

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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, 2015 is summarized as follows:

	2015	2014	2013
	(in thousands)		
Operating revenues	\$ 2,758	\$ 2,779	\$ 2,996
Operating expenses	7,515	7,122	7,500
Operating loss	(4,757)	(4,343)	(4,504)
Nonoperating revenues:			
Private gifts for operating activities	4,622	4,136	3,848
General University appropriations			100
Indirect administrative support	321	305	355
Net investment income	121	345	144
Nonoperating revenues	5,064	4,786	4,447
Other revenues			
Endowment gifts and grants		5	
Increase (decrease) in net position	307	448	(57)
Net position, beginning of year	7,356	6,908	6,965
Net position, end of year	\$ 7,663	\$ 7,356	\$ 6,908

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

A comparative summary of Michigan Radio’s operating revenues for the three years ended June 30, 2015 is as follows:

	2015	2014	2013
	(in thousands)		
Underwriting	\$ 1,459	\$ 1,425	\$ 1,641
Corporation for Public Broadcasting grants	463	465	499
Federal and nongovernmental sponsored programs	432	404	358
Trade	139	173	210
Other	265	312	288
	\$ 2,758	\$ 2,779	\$ 2,996

Total operating revenues decreased 1 percent, or \$21,000, to \$2.8 million in 2015 due primarily to decreases in trade revenues and revenue from special events. In 2015, trade revenues decreased \$34,000 in part because of an intentional effort to limit these agreements. Special events revenues are derived from sponsorship and ticket agreements with live performances of national shows coming to the Michigan Radio listening area. In 2015, special events revenues decreased \$12,900. These decreases were largely offset by underwriting revenues which ended with a strong 4th quarter after a slow start in 2015. Other operating revenue consists of tower and studio rental fees, premium sales, royalties and digital media sales.

Michigan Radio’s most significant revenue stream continues to be private gifts for operating purposes, which totaled \$4.6 million in 2015, an increase of \$486,000, or 12 percent, from 2014. 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. 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.

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

A comparative summary of Michigan Radio’s operating expenses for the three years ended June 30, 2015 is as follows:

	2015	2014	2013
	(in thousands)		
Direct:			
Programming and production	\$ 4,029	\$ 3,873	\$ 3,914
Engineering	495	478	558
Development	1,824	1,659	1,795
Management and general	847	807	878
	7,195	6,817	7,145
Indirect:			
Programming and production	179	173	195
Engineering	22	22	28
Development	81	74	89
Management and general	38	36	43
	320	305	355
Total operating expenses	\$ 7,515	\$ 7,122	\$ 7,500

Operating expenses increased 6 percent, or \$393,000 to \$7.5 million, in 2015. The largest contributor to the \$378,000 increase in direct expenses in 2015 is the \$331,000 increase in salaries and benefits. Over and above the annual increases, new positions were filled in programming to support *Stateside* and social media development. Development added a new position so that additional effort could be focused on donor events and providing service to members. Indirect administrative support fluctuates each year and is determined based upon a percentage of overall University expenses. This allocation is reflected as both indirect operating expense and nonoperating revenue and therefore it has no impact on the change in net position.

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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, 2015 and 2014 is as follows:

	2015	2014
	(in thousands)	
Cash received from operations	\$ 2,725	\$ 2,644
Cash expended for operations	(6,983)	(6,536)
Net cash used in operating activities	(4,258)	(3,892)
Net cash provided by (used in) investing activities	120	(413)
Net cash used in capital and related financing activities	(21)	(127)
Net cash provided by noncapital financing activities	4,621	4,126
Net increase (decrease) in cash and cash equivalents	462	(306)
Cash and cash equivalents, beginning of year	5,130	5,436
Cash and cash equivalents, end of year	\$ 5,592	\$ 5,130

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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 CPB, corporate and federal sponsors and private giving.

The CSG from the CPB is a significant source of funding for Michigan Radio. Federal funding enables local public radio stations to maintain their roles as local service providers of vital information and public service. Advanced funding for public broadcasting protects local station autonomy and independence in programming decisions and affords them with a key measure of certainty in their business planning. The CPB CSG received by Michigan Radio in 2015 was \$463,000, which reflects a 0.5 percent decrease from 2014. Given the volatility of congressional support for public media as a whole, Michigan Radio was very pleased that this important funding source remained essentially flat in 2015. The CPB CSG represents 6 percent of Michigan Radio's 2015 revenue.

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 development of 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 manage costs to meet the challenges of the current economic environment. One such example is the active development of the non-traditional revenue stream derived from the car donation program, which has grown from relative insignificance as recently as 2012, to over \$200,000 in 2015. In addition, Michigan Radio is actively partnering with other units of the University to capitalize on existing development efforts and develop relationships with current University donors.

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. During the campaign, Michigan Radio has secured a number of planned gifts which total \$1.7 million as of June 30, 2015. The station also received from a major donor its first ever six figure gift given in support of the daily talk show *Stateside*. All of these efforts support our overall goal of growing 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.

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Statement of Net Position

	June 30,	
	2015	2014
Assets		
Current Assets:		
Cash and cash equivalents on deposit with the University	\$ 5,591,749	\$ 5,129,989
Accounts receivable, net	180,265	207,976
Pledges receivable, net	56,208	51,597
Prepaid expenses	84,116	39,358
Premium inventory	43,671	42,338
Total Current Assets	5,956,009	5,471,258
Noncurrent Assets:		
Endowment investments on deposit with the University	2,711,640	2,705,784
Pledges receivable, net	14,278	18,213
Other	28,387	33,067
Capital assets, net	1,163,743	1,244,464
Total Noncurrent Assets	3,918,048	4,001,528
Total Assets	\$ 9,874,057	\$ 9,472,786
Liabilities and Net Position		
Current Liabilities:		
Accounts payable	\$ 47,967	\$ 42,871
Accrued compensation	316,052	321,144
Unearned revenue	119,855	42,409
Obligations for postemployment benefits	54,000	55,000
Total Current Liabilities	537,874	461,424
Noncurrent Liabilities:		
Obligations for postemployment benefits	1,673,000	1,655,000
Total Liabilities	2,210,874	2,116,424
Net Position:		
Net investment in capital assets	1,163,743	1,244,464
Restricted:		
Nonexpendable	44,195	44,135
Expendable	2,103	10,602
Unrestricted	6,453,142	6,057,161
Total Net Position	7,663,183	7,356,362
Total Liabilities and Net Position	\$ 9,874,057	\$ 9,472,786

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

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

	Year Ended June 30,	
	2015	2014
Operating Revenues		
Underwriting	\$ 1,459,586	\$ 1,425,252
Corporation for Public Broadcasting grants	462,817	465,303
Nongovernmental sponsored programs	402,908	380,133
Federal grants and contracts	29,499	23,764
Trade	138,821	172,935
Rental income	134,135	123,167
Premium sales	98,445	123,206
Other	32,279	65,479
Total Operating Revenues	2,758,490	2,779,239
Operating Expenses		
Program Services:		
Programming and production	4,208,016	4,045,539
Engineering	517,516	499,664
Total Program Services	4,725,532	4,545,203
Supporting Services:		
Development	1,905,180	1,733,567
Management and general	884,586	843,006
Total Supporting Services	2,789,766	2,576,573
Total Operating Expenses	7,515,298	7,121,776
Operating loss	(4,756,808)	(4,342,537)
Nonoperating Revenues		
Private gifts for other than capital and endowment purposes	4,621,993	4,135,820
Indirect administrative support from the University	320,454	304,592
Net investment income	121,122	345,602
Total Nonoperating Revenues	5,063,569	4,786,014
Increase in net assets before other revenues	306,761	443,477
Other Revenues		
Private gifts for permanent endowment purposes	60	4,655
Total Other Revenues	60	4,655
Increase in net position	306,821	448,132
Net Position, Beginning of Year	7,356,362	6,908,230
Net Position, End of Year	\$ 7,663,183	\$ 7,356,362

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

WUOM/WVGR/WFUM
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Statement of Cash Flows

	Year Ended June 30,	
	2015	2014
Cash Flows from Operating Activities		
Underwriting	\$ 1,503,091	\$ 1,499,888
Corporation for Public Broadcasting grants	462,817	465,303
Nongovernmental sponsored programs	429,881	363,127
Federal grants and contracts	29,362	22,611
Rental income	156,635	116,292
Premium sales	98,445	123,206
Other receipts	44,594	53,164
Payments for salaries and benefits	(3,981,295)	(3,650,481)
Payments for program rights	(1,448,769)	(1,435,061)
Payments for operating and administrative expenses	(1,552,584)	(1,449,975)
Net Cash Used in Operating Activities	(4,257,823)	(3,891,926)
Cash Flows from Investing Activities		
Sales (purchase) of investments	13,372	(504,655)
Net investment income	106,574	91,529
Net Cash Provided by (Used in) Investing Activities	119,946	(413,126)
Cash Flows from Capital Financing Activities		
Purchase of capital assets	(21,740)	(127,460)
Net Cash Used in Capital Financing Activities	(21,740)	(127,460)
Cash Flows from Noncapital Financing Activities		
Private gifts	4,621,377	4,126,474
Net Cash Provided by Noncapital Financing Activities	4,621,377	4,126,474
Net increase (decrease) in cash and cash equivalents	461,760	(306,038)
Cash and Cash Equivalents, Beginning of Year	5,129,989	5,436,027
Cash and Cash Equivalents, End of Year	\$ 5,591,749	\$ 5,129,989

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

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Statement of Cash Flows--Continued

	Year Ended June 30,	
	2015	2014
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (4,756,808)	\$ (4,342,537)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Indirect administrative support	320,454	304,592
Depreciation and amortization expense	102,461	106,775
Changes in assets and liabilities:		
Accounts receivable, net	27,711	44,783
Premium inventory	(1,333)	(11,163)
Prepaid expenses	(44,758)	18,375
Accounts payable	5,096	(362)
Accrued compensation	(5,092)	(9,526)
Unearned revenue	77,446	(23,763)
Obligations for postemployment benefits	17,000	20,900
Net cash used in operating activities	\$ (4,257,823)	\$ (3,891,926)

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

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Notes to Financial Statements

June 30, 2015 and 2014

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.

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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 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 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.

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

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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.

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.

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 generally range from three to forty years. Leasehold improvements are amortized over the shorter of their estimated useful lives or the related lease term.

Accrued compensation consists of amounts earned for services performed that will be paid in the future and accumulated staff vacation days that will be taken after June 30.

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

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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 as well as from studio rental.

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.

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.

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, investment income and indirect administrative support from the University.

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Notes to Financial Statements--Continued

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

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.

Reclassifications: In 2015, Michigan Radio identified prior period errors related to the classification of Sales (purchase) of investments and Net investment income within the Investing Activities section of the Statement of Cash Flows. The Statement of Cash Flows prepared for the year ended June 30, 2014 has been revised to reflect the proper classification of this activity, resulting in a reduction in the amount of previously reported Sales (purchase) of investments and Net investment income by \$252,957.

Note 2--Cash and Investments

The University maintains centralized management for substantially 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 University's 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 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, 2015 and 2014, the

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Notes to Financial Statements--Continued

Note 2--Cash and Investments--Continued

Long Term Portfolio consisted of cash and equivalents (1 percent and 1 percent), fixed income securities (14 percent and 13 percent), U.S. and non-U.S. equities (13 percent and 15 percent), commingled funds (26 percent and 20 percent), and nonmarketable alternative investments (46 percent and 51 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 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 and distributions of capital and return on invested capital as underlying strategies are concluded during the life of the partnership. These limited partnerships include venture capital, private equity, real estate, natural resources and absolute return strategies. There is not an 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 5 percent and 10 percent of the portfolio at June 30, 2015 and 2014, respectively.

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Notes to Financial Statements--Continued

Note 2--Cash and Investments--Continued

The University's investment strategy 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. At June 30, 2015 and 2014, the annual distribution was 4.5 percent of the one-quarter lagged seven year moving average fair value of fund shares. 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.

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Notes to Financial Statements--Continued

Note 3--Accounts Receivable

The composition of accounts receivable at June 30, 2015 and 2014 is summarized as follows:

	2015	2014
Underwriting	\$ 116,664	\$ 131,028
Other	63,806	77,528
	180,470	208,556
Less allowance for uncollectible accounts receivable	205	580
	<u>\$ 180,265</u>	<u>\$ 207,976</u>

Note 4--Pledges Receivable

The composition of pledges receivable at June 30, 2015 and 2014 is summarized as follows:

	2015	2014
Gift pledges outstanding	\$ 90,392	\$ 88,831
Less allowance for uncollectible pledges	19,906	19,021
Total pledges receivable, net	70,486	69,810
Less current portion	56,208	51,597
	<u>\$ 14,278</u>	<u>\$ 18,213</u>

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

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Notes to Financial Statements--Continued

Note 5--Capital Assets

Capital assets activity for the years ended June 30, 2015 and 2014 is summarized as follows:

		2015			
		Beginning Balance	Additions	Retirements	Ending Balance
Land		\$ 290,238			\$ 290,238
Transmitter, tower and equipment		2,007,027	\$ 21,740		2,028,767
Leasehold improvement		1,595,490	70,003		1,665,493
Construction in progress		70,003	(70,003)		-
		3,962,758	21,740	\$ -	3,984,498
Less accumulated depreciation and amortization		2,718,294	102,461		2,820,755
		<u>\$ 1,244,464</u>	<u>\$ (80,721)</u>	<u>\$ -</u>	<u>\$ 1,163,743</u>
		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>

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.

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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 regular 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 regular 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 that qualify for retiree benefits.

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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, 2015 and 2014 are summarized as follows:

	2015	2014
Balance, beginning of year	\$ 1,710,000	\$ 1,689,100
Postemployment benefits expense	86,000	84,900
Payments of current premiums and claims	(69,000)	(64,000)
Balance, end of year	1,727,000	1,710,000
Less current portion	54,000	55,000
	\$ 1,673,000	\$ 1,655,000

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 obligations for postemployment benefits at June 30, 2015 and 2014 as a percentage of covered payroll of \$2,983,293 and \$2,732,595 was 58 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, 2015 and 2014 are as follows:

	2015	
	<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%-7.0%/4.5%	6.0%-7.0%/4.5%
Immediate Ultimate Rx Trend Rate	6.5%/4.5%	6.5%/4.5%
Expected Retirement Age (Faculty/Staff/Union)	66/62/61	Not Applicable
Mortality/Termination Table	RP-2000 Generational	2005 SOA Life Waiver (Modified)
	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)

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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. 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.

For payroll covered under the plan, 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, 2015 are summarized as follows:

	2015	2014	2013
Michigan Radio contributions	\$ 266,677	\$ 256,227	\$ 236,259
Employee contributions	\$ 139,420	\$ 133,143	\$ 123,254
Payroll covered under plan	\$ 2,983,293	\$ 2,732,595	\$ 2,662,557
Total payroll	\$ 3,019,039	\$ 2,774,146	\$ 2,709,521

Note 8-- Commitments and Contingencies

Michigan Radio has entered into operating leases for space, which expire at various dates through 2020. Outstanding commitments for these leases are expected to be paid in the following years ended June 30:

2016	\$ 221,364
2017	225,819
2018	47,791
2019	12,256
2020	7,452
	\$ 514,682



**Independent Auditor's Report
on Supplementary Information**

The Regents of the University of Michigan

We have audited the financial statements of WUOM/WVGR/WFUM as of June 30, 2015 and 2014 and for the years 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 10, 2015

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

**Schedule of Functional Expenses
For the Year Ended June 30, 2015**

	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	\$ 2,010,434	\$ 234,500	\$ 2,244,934	\$ 1,028,638	\$ 719,632	\$ 1,748,270	\$ 3,993,204
Program fees	1,404,213		1,404,213			-	1,404,213
Depreciation and amortization	58,500	7,194	65,694	24,470	12,297	36,767	102,461
Indirect administrative support	179,431	22,067	201,498	81,237	37,719	118,956	320,454
Professional services	242,037	3,615	245,652	157,247	37,032	194,279	439,931
Equipment and space rental	125,017	27,502	152,519	51,762	25,545	77,307	229,826
Advertising	3,863		3,863	145,452	180	145,632	149,495
Supplies	6,200	50,102	56,302	160,563	10,623	171,186	227,488
Travel and conferences	60,579	6,075	66,654	47,596	13,902	61,498	128,152
Telecommunications	32,266	49,318	81,584	10,210	4,029	14,239	95,823
Repairs and maintenance	380	18,726	19,106	23	28,545	28,568	47,674
Utilities	15,830	96,363	112,193	6,592	3,312	9,904	122,097
Postage and freight	114	1,339	1,453	85,579	74	85,653	87,106
Surveys and ratings	61,555	715	62,270			-	62,270
Merchant service fees	7		7	97,841		97,841	97,848
Memberships and dues	2,590		2,590	7,970	3,125	11,095	13,685
Other	5,000		5,000		(11,429)	(11,429)	(6,429)
Total Operating Expenses	\$ 4,208,016	\$ 517,516	\$ 4,725,532	\$ 1,905,180	\$ 884,586	\$ 2,789,766	\$ 7,515,298

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