

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

**FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2013 and 2012  
with  
INDEPENDENT AUDITOR'S REPORT**

WUOM/WVGR/WFUM  
(A PUBLIC TELECOMMUNICATIONS ENTITY  
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June 30, 2013 and 2012

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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, 2013 and 2012 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, 2013 and 2012, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

As discussed in Note 1, the financial statements of Michigan Radio present only the net position, revenues, expenses and changes in net position, and cash flows of that portion of the financial reporting entity of the University of Michigan that is attributable to the transactions of Michigan Radio. They do not purport to, and do not, present fairly the financial position of the University of Michigan at June 30, 2013 and 2012, and the changes in its financial position or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

*PricewaterhouseCoopers LLP*

December 10, 2013

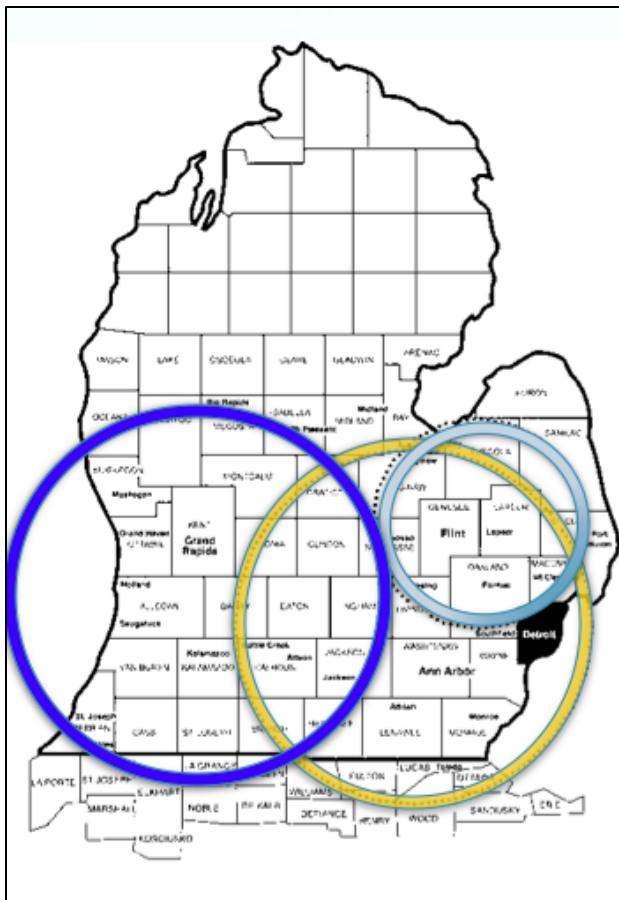
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**Management’s Discussion and Analysis (Unaudited)**

**Introduction**

The following discussion and analysis provides an overview of the financial position of WUOM/WVGR/WFUM (“Michigan Radio”) at June 30, 2013 and 2012 and its activities for the three fiscal years ended June 30, 2013. 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 2013, Michigan Radio continues to be the most listened to public radio service in Michigan, with approximately 437,400 listeners each week. (Source: National Regional Database, Arbitron Spring 2013, 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 National Public Radio, 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 437,400 listeners each week from its studios in Ann Arbor and news bureaus in Detroit, Grand Rapids and mid-Michigan. A new report highlighting the nation's top public radio stations reveals that Michigan Radio’s WUOM-FM ranks highest in seven day cume listening. According to the study, 25.1 percent of Ann Arbor's metro area adult population has listened to Michigan Radio in the past seven days, ranking the station as the number one highest ranked public radio station across the Media Audit's 80+ measured markets.

**Top Ten Highest Reaching Public Radio Stations**

Market	Station	Cume Rating
Ann Arbor, MI	WUOM-FM	25.1
San Jose, CA	KQED-FM	18.8
Minneapolis-St. Paul, MN	KNOW-FM	17.7
Portland, ME	WMEA-FM	17.3
Raleigh-Durham, NC	WUNC-FM	16.9
Washington, DC	WAMU-FM	16.1
Eugene, OR	KLCC-FM	15.4
Portland, OR	KOPB-FM	15.0
San Francisco, CA	KQED-FM	14.8
Austin, TX	KMFA-FM	14.7

*Source: The Media Audit FYI, July 2013*

In the digital space, Michigan Radio offers its online portal, michiganradio.org, and audio streaming service. The access to news and information content on these essential platforms allows Michigan Radio to serve an audience beyond the broadcast signal, throughout the state and the globe. In fiscal year 2013, traffic to michiganradio.org topped 1.8 million unique visitors per year according to Google Analytics reports, with over 5.2 million page views. Unique visitors increased by over 42 percent compared to the previous year.

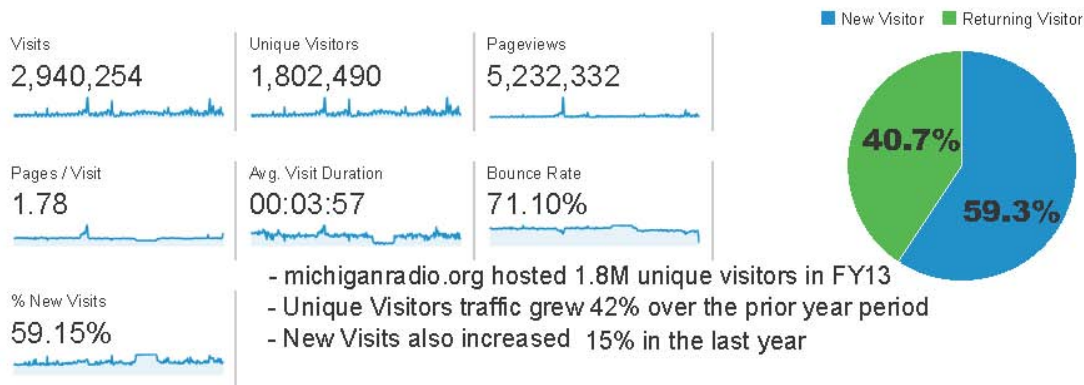
Michigan Radio’s online audio streaming audience is also growing to new levels, once again. In fiscal year 2013, audio streaming posted 24 percent growth in unique users served monthly, to a new average high of 102,695. The online streaming audience is reflecting growth thru the broad adoption of smart 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, from Ann Arbor, Detroit, Lansing, Grand Rapids, Flint and more. During the fiscal year, 71 percent of the overall online unique visitors originated in the state of Michigan, according to the verified Google Analytics reports.

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

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

**1,802,490 people visited this site**



Source: Google analytics for the FY13 period, July 1, 2012 – June 30, 2013

Michigan Radio continues to collaborate with NPR Digital Services to advance the presentation and access of our locally produced news content online. One success came in fall 2012, as Michigan Radio created an online guide to the six different proposals to make changes to the Michigan Constitution. The guide attracted 84,581 page views, and on Election Day, it was the single most accessed piece of local station content across all public radio station “Core Publisher” websites, according to NPR.



In its third year, the station’s custom designed Michigan Radio iPhone app continued to attract users and downloads from across the state and beyond. The most frequently accessed feature is streaming audio of our live news and information broadcast service. Additional features include the station program guide, podcast information, social media links and more. In fiscal year 2013, Michigan Radio launched an Android app for the first time. This app extends the reach of Michigan Radio on mobile devices. The station also released an updated and redesigned iPhone app and has begun the work to become the first public radio station with an app for the Ford Sync system. The Michigan Radio apps have grown to over 53,000 downloads since their inception.

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

The station has established followings on major social network sites, where users can find “MichiganRadio” on Facebook and Twitter. Over 19,000 Facebook “friends” interact with our content and receive news updates, posting 23 percent growth over the prior year. Similar growth has been accomplished in the past year for the Michigan Radio Twitter account, where followers have grown to 22,000 and counting. Reporters and producers seek out ideas, sources and suggestions by interacting with the station’s Facebook and Twitter followers.

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 launch of a new daily talk show, adding content personnel and expansion of community engagement events at the same time as many local media outlets are downsizing their local and regional news coverage.

*Stateside with Cynthia Canty* launched as a pilot program in August 2012 and became a regular Monday through Thursday offering on Michigan Radio in October 2012. 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.



*Stateside* host Cynthia Canty is a veteran Detroit radio personality and Emmy Award winning news anchor. Prior to joining Michigan Radio, she served as a news anchor and morning show personality with Jim Harper at WNIC-100.3 FM, WDTX-99.5 FM and WMGC-105.1 FM. She has also hosted public affairs programs at WKBD-TV and served as reporter and anchor on WKBD’s “Ten O’Clock News.”

In keeping with Michigan Radio’s broad coverage across Michigan, *Stateside with Cynthia Canty* focus on topics and events that matter to people all across the state. The show features a mix of interviews, features and roundtable discussions. Guests have included Governor Snyder, writer Mitch Albom, blues singer Bettye Levette, Detroit Emergency Manager Kevin Orr, Congressman Gary Peters and many state lawmakers. *Stateside with Cynthia Canty* has been an immediate strong performer, becoming one of the station’s top weekday programs and attracting the attention of newsmakers.

In spring 2013, negotiations were initiated to expand the broadcast carriage of *Stateside* with the addition of Interlochen Public Radio. The planned July 2013 launch of *Stateside* will be heard on their northwest Michigan radio stations (91.5 FM, Traverse City; 90.1 FM, Harbor Springs/Petoskey; and 89.7 FM, Manistee/Ludington). This expansion gives *Stateside* audience coverage in Grand Traverse, Leelanau, Antrim, Benzie, Charlevoix, Cheboygan, Emmet, Manistee, Mason and Wexford counties.



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

*State of Opportunity* launched on-air in fiscal year 2013. This three-year Michigan Radio journalism project is a partnership with the W.K. Kellogg Foundation. During this first year



of the *State of Opportunity* project, the station engaged in producing meaningful, exciting and challenging journalism on a weekly basis that explores the barriers to achieving success for children of low-income families in Michigan. Through weekly feature reports, quarterly documentaries and call-in shows the project's journalism work has brought a broad range of issues, places and voices to the public radio airwaves. During this first year, the editorial focus has centered on prenatal issues and the first years of life.



The journalism work of Michigan Radio continues to be honored with numerous awards. In fiscal year 2013, Michigan Radio was the recipient of over 34 journalism awards from statewide, regional and national review organizations. Among those is a regional Edward R. Murrow award from the Radio Television Digital News Association for "Best Newscast" in the Large Market Radio category. The station also received the "General Excellence" award from the Michigan Associated Press. This was the first time in the decades old history of the award that it was given to a Public Radio station. The Michigan Association of Broadcasters honored Michigan Radio once again as "Station of the Year".

The extensive list of honors for Michigan Radio's reporters and producers includes first place honors and merit awards from the Michigan Associated Press and the Michigan Association of Broadcasters. The station was also recognized with two Salute to Excellence Awards from the National Association for Black Journalists, and a national RTDNA/UNITY Award, which recognizes coverage of diversity issues. A complete list of the awards and topics can be found at <http://michiganradio.org/michigan-radio-awards>.

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



Host Garrison Keillor entertained a sold out house at Ann Arbor's Hill Auditorium with "A Prairie Home Companion" presented in a live national broadcast by Michigan Radio on June 1, 2013.

This year, Michigan Radio once again provided its listeners opportunities to engage with notable public radio personalities. In June 2013, Michigan Radio hosted a live national broadcast of “A Prairie Home Companion” with Garrison Keillor from Hill Auditorium in Ann Arbor, celebrating the 100<sup>th</sup> anniversary year of the storied performance venue. A sold out audience of over 3,500 filled Hill Auditorium. Later in the year, Michigan Radio also hosted live public radio performances by The Moth and NPR’s “Snap Judgment” in Kalamazoo and Ann Arbor, respectively.

The station hosted several “Coffee & Conversation” events across our listening area, giving people an opportunity to meet with new *Stateside* talk show host Cynthia Canty. Michigan Radio also hosted our first “Open Newsroom” event. This gave listeners the chance to meet with reporters, producers and on-air hosts at nine locations simultaneously across the state for one-on-one conversations about the issues that matter most in their community.

“Issues and 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 hosted eight events between July 2012 thru June 2013. These events were held in metro Detroit, Lansing, Grand Rapids, Grand Haven, Ypsilanti and Ann Arbor, on topics including childhood poverty, Asian carp in the Great Lakes, K-12 education, Michigan’s Right-to-Work law, as well as several events related to the 2012 election. Attendance by listeners at the venues typically averaged 100 or more per occasion, with as many as 300 people and standing room only at our first Election Night Viewing Party.

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 100,000 unique listeners monthly. The station is proud to maintain the distinction as the most listened to public radio news and information station in the state, including the state’s two largest markets, Metro Detroit and Grand Rapids. (Source: Adults 12+, Arbitron Ratings, Spring 2013, 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 \$9.0 million and liabilities of \$2.1 million at June 30, 2013, compared to assets of \$9.3 million and liabilities of \$2.4 million at June 30, 2012. Net position, which represents the residual interest in Michigan Radio’s assets after liabilities are deducted, totaled \$6.9 million at June 30, 2013.

Changes in net position represent Michigan Radio’s results of operations and are summarized for the years ended June 30, 2013 and 2012, as follows:

	<b>2013</b>	<b>2012</b>
	(in thousands)	
Operating revenues	\$ 2,996	\$ 3,086
Operating expenses	7,500	7,574
	(4,504)	(4,488)
Private gifts for operating purposes	3,848	3,769
General University appropriations	100	425
Other revenues, net	499	378
(Decrease) increase in net position	\$ (57)	\$ 84

**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 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, 2013 and 2012 is summarized as follows:

	<b>2013</b>	<b>2012</b>
	(in thousands)	
Current assets	\$ 5,865	\$ 7,059
Noncurrent assets	3,172	2,269
Total assets	9,037	9,328
Current liabilities:		
Accrued compensation	331	301
Unearned revenue	66	345
Other current liabilities	108	112
Total current liabilities	505	758
Noncurrent liabilities:		
Obligations for postemployment benefits	1,624	1,605
Total liabilities	2,129	2,363
Net position	\$ 6,908	\$ 6,965

Current assets consist primarily of cash and cash equivalents, which totaled \$5.4 million at June 30, 2013 and \$6.6 million at June 30, 2012. Noncurrent assets consist primarily of capital assets, net of accumulated depreciation and amortization, which totaled \$1.2 million at June 30, 2013 and \$1.5 million at June 30, 2012, and endowment investments on deposit with the University, which totaled \$1.9 million at June 30 2013 and \$0.8 million at June 30, 2012. The increase in endowment investments and corresponding decrease in cash and cash equivalents is pursuant to a strategic plan to grow Michigan Radio's endowment, with the goal of creating a stable revenue stream to eventually offset the loss of institutional financial support and anticipated reductions in federal funding from the CPB. Current liabilities consist primarily of accrued compensation and unearned revenue which represents amounts received in advance of providing services.

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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, 2013 and 2012 is summarized as follows:

	<b>2013</b>	<b>2012</b>
	(in thousands)	
Net investment in capital assets	\$ 1,224	\$ 1,508
Restricted:		
Nonexpendable	39	39
Expendable	1	
Unrestricted	5,644	5,418
	<b>\$ 6,908</b>	<b>\$ 6,965</b>

Net investment in capital assets represents 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 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, funds functioning as endowment and net position restricted for operations and facilities. Funds granted for support of a specific operational project also contribute to the restricted expendable balance.

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, 2013 is summarized as follows:

	2013	2012	2011
	(in thousands)		
Operating revenues	\$ 2,996	\$ 3,086	\$ 2,706
Operating expenses	7,500	7,574	6,776
Operating loss	(4,504)	(4,488)	(4,070)
Nonoperating revenues:			
Private gifts for operating activities	3,848	3,769	3,705
General University appropriations	100	425	695
Indirect administrative support	355	359	339
Net investment income	144	19	72
Nonoperating revenues	4,447	4,572	4,811
(Decrease) increase in net position	(57)	84	741
Transfer from Michigan Television			64
Net position, beginning of year	6,965	6,881	6,076
Net position, end of year	\$ 6,908	\$ 6,965	\$ 6,881

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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, 2013 is as follows:

	<b>2013</b>	<b>2012</b>	<b>2011</b>
	(in thousands)		
Underwriting	\$ 1,641	\$ 1,508	\$ 1,390
Corporation for Public Broadcasting grants	499	701	866
Federal and nongovernmental sponsored programs	358	391	37
Trade	210	192	178
Other	288	294	235
	<b>\$ 2,996</b>	<b>\$ 3,086</b>	<b>\$ 2,706</b>

Total operating revenues decreased 3 percent, or \$90,000, to \$3.0 million in 2013 due primarily to decreases in funding from the Corporation for Public Broadcasting (“CPB”), offset by increases in underwriting revenue. In 2013, the Community Service Grant from the CPB decreased 7 percent, to \$444,000, from the 2012 grant of \$476,000. Other CPB funding also decreased \$135,000 with the completion of the “Midwest Local Journalism” project. Underwriting revenue increased \$133,000, or 9 percent, to \$1.6 million in 2013 due primarily to a one-time contract for a special messaging campaign. 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 2013, an increase of \$79,000, or 2 percent, from 2012. 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. In response to decreasing support for higher education from the state of Michigan, University appropriations were reduced to \$100,000 in 2013 from \$425,000 in 2012 and \$695,000 in 2011. 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.

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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, 2013 is as follows:

	<b>2013</b>	<b>2012</b>	<b>2011</b>
	(in thousands)		
Direct:			
Programming and production	\$ 3,914	\$ 3,871	\$ 3,611
Engineering	558	649	495
Development	1,795	1,744	1,510
Management and general	878	951	821
	<u>7,145</u>	<u>7,215</u>	<u>6,437</u>
Indirect:			
Programming and production	195	187	191
Engineering	28	33	26
Development	89	90	79
Management and general	43	49	43
	<u>355</u>	<u>359</u>	<u>339</u>
Total operating expenses	<u>\$ 7,500</u>	<u>\$ 7,574</u>	<u>\$ 6,776</u>

Operating expenses decreased 1 percent, or \$74,000, to \$7.5 million, in 2013. Programming expenses increased by \$43,000. Payroll expense decreased \$4,000 due to staff transitions as new programs and sponsored projects replaced terminated projects. Program fees increased by \$60,000. Engineering expenses decreased \$91,000 primarily due to a \$41,000 decrease in payments to contractors and other professional services and a \$28,000 decrease in non-capital equipment purchases due to fewer large maintenance and repair projects in 2013. Development expenses increased by \$51,000, primarily as a result of a \$38,000 increase for advertising. There was publicity for *Stateside with Cynthia Canty* and for the *State of Opportunity* project in addition to increases in reciprocal trade agreements related to special events.

The \$73,000 decrease in Management and General expenses was due almost entirely to the fact that Michigan Radio no longer is required to transfer funds to another university unit in support of the Michigan Channel.

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.



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

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 position of \$64,000 was transferred back to Michigan Radio during 2011.

**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, 2013 and 2012 is as follows:

	<b>2013</b>	<b>2012</b>
	(in thousands)	
Cash received from operations	\$ 2,489	\$ 2,908
Cash expended for operations	(6,603)	(6,459)
Net cash used in operating activities	(4,114)	(3,551)
Net cash used in investing activities	(1,045)	(80)
Net cash provided by noncapital financing activities	3,995	4,226
Net (decrease) increase in cash and cash equivalents	(1,164)	595
Cash and cash equivalents, beginning of year	6,600	6,005
Cash and cash equivalents, end of year	\$ 5,436	\$ 6,600

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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 ("CPB"), corporate and federal sponsors and private giving.

In response to decreasing support for higher education from the state, Michigan Radio is addressing a phased elimination of funding from University appropriations which will be fully eliminated in 2014. This is pursuant to a planned roll down of University appropriations which began in 2011.

The Community Service Grant from the CPB is a significant source of funding for Michigan Radio. CPB funding has been subject to much congressional debate over the past couple of years. In response, the CPB has developed a new funding formula which will result in a decrease in Community Service Grant support in 2014 amounting to approximately \$90,000. A level of uncertainty about funding levels 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.

Michigan Radio will actively participate in the University's fundraising campaign which commences its public phase in November 2013. Fundraising goals include significantly growing the endowment to generate a stable stream of revenue to offset lost institutional financial support and projected further declines in federal funding from the CPB.

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,	
	2013	2012
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents on deposit with the University	\$ 5,436,027	\$ 6,600,186
Accounts receivable, net	252,759	249,983
Pledges receivable, net	55,810	101,977
Prepaid expenses	57,733	50,335
Premium inventory	31,175	25,602
Other	31,951	30,822
Total Current Assets	5,865,455	7,058,905
Noncurrent Assets:		
Capital assets, net	1,223,779	1,507,714
Endowment investments on deposit with the University	1,948,171	761,225
Total Noncurrent Assets	3,171,950	2,268,939
<b>Total Assets</b>	<b>\$ 9,037,405</b>	<b>\$ 9,327,844</b>
<b>Liabilities and Net Position</b>		
Current Liabilities:		
Accounts payable	\$ 43,233	\$ 54,025
Accrued compensation	330,670	300,884
Unearned revenue	66,172	344,578
Obligations for postemployment benefits	65,000	58,000
Total Current Liabilities	505,075	757,487
Noncurrent Liabilities:		
Obligations for postemployment benefits	1,624,100	1,605,100
Total Liabilities	2,129,175	2,362,587
Net Position:		
Net investment in capital assets	1,223,779	1,507,714
Restricted:		
Nonexpendable	39,480	39,310
Expendable	1,250	
Unrestricted	5,643,721	5,418,233
Total Net Position	6,908,230	6,965,257
<b>Total Liabilities and Net Position</b>	<b>\$ 9,037,405</b>	<b>\$ 9,327,844</b>

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,	
	2013	2012
<b>Operating Revenues</b>		
Underwriting	\$ 1,640,666	\$ 1,507,875
Corporation for Public Broadcasting grants	498,689	700,628
Nongovernmental sponsored programs	342,198	376,897
Federal grants and contracts	16,458	14,136
Trade	209,645	192,255
Rental income	102,794	100,954
Premium sales	114,242	149,309
Other	71,509	44,171
<b>Total Operating Revenues</b>	<b>2,996,201</b>	<b>3,086,225</b>
<b>Operating Expenses</b>		
Program Services:		
Programming and production	4,108,506	4,058,124
Engineering	585,878	682,635
Total Program Services	4,694,384	4,740,759
Supporting Services:		
Development	1,884,813	1,833,816
Management and general	921,049	999,739
Total Supporting Services	2,805,862	2,833,555
<b>Total Operating Expenses</b>	<b>7,500,246</b>	<b>7,574,314</b>
Operating loss	(4,504,045)	(4,488,089)
<b>Nonoperating Revenues</b>		
Private gifts for other than capital and endowment purposes	3,848,361	3,768,492
General appropriations from the University	100,000	425,219
Indirect administrative support from the University	355,276	358,737
Net investment income	143,211	19,469
<b>Total Nonoperating Revenues</b>	<b>4,446,848</b>	<b>4,571,917</b>
(Decrease) increase in net assets before other revenues	(57,197)	83,828
<b>Other Revenues</b>		
Private gifts for permanent endowment purposes	170	245
<b>Total Other Revenues</b>	<b>170</b>	<b>245</b>
(Decrease) increase in net position	(57,027)	84,073
Net Position, Beginning of Year	6,965,257	6,881,184
<b>Net Position, End of Year</b>	<b>\$ 6,908,230</b>	<b>\$ 6,965,257</b>

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

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**Statement of Cash Flows**

	<b>Year Ended June 30,</b>	
	<b>2013</b>	<b>2012</b>
<b>Cash Flows from Operating Activities</b>		
Underwriting	\$ 1,622,460	\$ 1,452,665
Corporation for Public Broadcasting grants	532,423	473,250
Nongovernmental sponsored programs	32,078	661,525
Federal grants and contracts	15,789	14,805
Rental income	100,606	111,995
Premium sales	114,242	149,309
Other receipts	71,509	44,171
Payments for salaries and benefits	(3,551,931)	(3,535,892)
Payments for program rights	(1,400,107)	(1,085,243)
Payments for operating and administrative expenses	(1,651,062)	(1,838,221)
<b>Net Cash Used in Operating Activities</b>	<b>(4,113,993)</b>	<b>(3,551,636)</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(1,186,946)	(97,909)
Net investment income	142,082	18,343
<b>Net Cash Used in Investing Activities</b>	<b>(1,044,864)</b>	<b>(79,566)</b>
<b>Cash Flows from Noncapital Financing Activities</b>		
Private gifts	3,894,698	3,800,961
General appropriations from the University	100,000	425,219
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>3,994,698</b>	<b>4,226,180</b>
Net (decrease) increase in cash and cash equivalents	(1,164,159)	594,978
Cash and Cash Equivalents, Beginning of Year	6,600,186	6,005,208
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 5,436,027</b>	<b>\$ 6,600,186</b>

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

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**Statement of Cash Flows--Continued**

	<b>Year Ended June 30,</b>	
	<b>2013</b>	<b>2012</b>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	<b>\$ (4,504,045)</b>	\$ (4,488,089)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Indirect administrative support	<b>355,276</b>	358,737
Depreciation and amortization expense	<b>283,935</b>	286,409
Obligations for postemployment benefits	<b>26,000</b>	22,000
Changes in assets and liabilities:		
Accounts receivable, net	<b>(2,776)</b>	(87,659)
Prepaid expenses	<b>(5,573)</b>	247,881
Premium inventory	<b>(7,398)</b>	(17,955)
Accounts payable	<b>(10,792)</b>	33,898
Accrued compensation	<b>29,786</b>	(8,267)
Unearned revenue	<b>(278,406)</b>	101,409
Net cash used in operating activities	<b>\$ (4,113,993)</b>	\$ (3,551,636)

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

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**Notes to Financial Statements**

June 30, 2013 and 2012

**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.

During 2013, the University adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. The adoption of this statement did not have a material impact on Michigan Radio’s financial statements.

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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 whose use by Michigan Radio is subject to externally imposed stipulations that can be fulfilled by actions of Michigan Radio pursuant to those stipulations or that expire by the passage of time. Such net position includes net appreciation of Michigan Radio’s permanent endowment funds that have not been stipulated by the donor to be reinvested permanently.
- Unrestricted: Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management, the Regents or may otherwise be limited by contractual agreements with outside parties.

The 2012 financial statements have been revised to reclassify approximately \$168,000 of Unrestricted net position that was improperly reported as Restricted expendable net position. The effect of this reclassification is not considered material to the financial statements of Michigan Radio.

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

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



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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.

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

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

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

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

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

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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 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.

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 position. All support received from the University is recorded as nonoperating revenue.

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

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**Notes to Financial Statements--Continued**

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

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

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

**Note 2--Cash and Investments**

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

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

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**Notes to Financial Statements--Continued**

**Note 2--Cash and Investments--Continued**

The University's investment policies are governed and authorized by University Bylaws and the Board of 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, 2013 and 2012, the Long Term Portfolio consisted of cash and equivalents (0 percent and 1 percent), fixed income securities (13 percent and 10 percent), U.S. and non-U.S. equities (11 percent and 10 percent), commingled funds (20 percent and 18 percent), and nonmarketable alternative investments (56 percent and 61 percent).

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

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

The Long Term Portfolio holds investments denominated in foreign currencies and forward foreign exchange contracts used to manage the risk related to fluctuations in currency exchange rates between the time of purchase or sale and the actual settlement of foreign securities. Various investment managers acting for the University also use forward foreign exchange contracts in risk-based transactions to carry out their portfolio strategies. Foreign exchange risk is the risk that investments denominated in foreign currencies may lose value due to adverse fluctuations in the value of the U.S. dollar relative to foreign currencies. The Long Term Portfolio's non-U.S. dollar exposure amounted to 11 percent and 13 percent of the portfolio at June 30, 2013 and 2012, respectively.

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**Notes to Financial Statements--Continued**

**Note 2--Cash and Investments--Continued**

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

Michigan Radio receives distributions from the UEF based on the University's endowment spending rule. Commencing with the quarter ending September 30, 2010, the annual distribution rate began to be reduced from 5 percent of the one-quarter lagged seven year moving average fair value of fund shares to 4.5 percent. Distributions 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.

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**Notes to Financial Statements--Continued**

**Note 3--Accounts Receivable**

The composition of accounts receivable at June 30, 2013 and 2012 is summarized as follows:

	<b>2013</b>	<b>2012</b>
Underwriting	\$ 223,213	\$ 183,133
Other	31,374	71,756
	<u>254,587</u>	<u>254,889</u>
Less provision for uncollectible accounts receivable	1,828	4,906
	<u>\$ 252,759</u>	<u>\$ 249,983</u>

**Note 4--Pledges Receivable**

The composition of pledges receivable at June 30, 2013 and 2012 is summarized as follows:

	<b>2013</b>	<b>2012</b>
Gift pledges outstanding	\$ 99,661	\$ 178,907
Less allowance for doubtfully collectible pledges	43,851	76,930
	<u>\$ 55,810</u>	<u>\$ 101,977</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, 2013 and 2012 is summarized as follows:

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

<b>2012</b>				
	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
	\$ 1,794,123	\$ (286,409)	\$ -	\$ 1,507,714

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 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.



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**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, 2013 and 2012 are summarized as follows:

	<b>2013</b>	<b>2012</b>
Balance, beginning of year	\$ 1,663,100	\$ 1,641,100
Recurring postemployment benefits expense	82,000	63,000
Payments of current premiums and claims	(56,000)	(41,000)
Balance, end of year	1,689,100	1,663,100
Less current portion	65,000	58,000
	<u>\$ 1,624,100</u>	<u>\$ 1,605,100</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, 2013 and 2012 as a percentage of covered payroll of \$2,662,557 and \$2,705,078 was 63 percent and 61 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, 2013 and 2012 are as follows:

	<b>2013</b>	
	<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)
	<b>2012</b>	
	<u>Retiree Health and Welfare</u>	<u>Long-term Disability</u>
Discount Rate	6.08%	7.88%
Immediate/Ultimate Administrative Trend Rate	3.0%/3.0%	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)

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**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. 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, 2013 are summarized as follows:

	<b>2013</b>	<b>2012</b>	<b>2011</b>
Michigan Radio contributions	\$ 236,259	\$ 245,909	\$ 206,011
Employee contributions	\$ 123,254	\$ 127,154	\$ 104,471
Payroll covered under plan	\$ 2,662,557	\$ 2,705,078	\$ 2,509,885
Total payroll	\$ 2,709,521	\$ 2,712,298	\$ 2,570,895

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**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 2017. Outstanding commitments for these leases are expected to be paid in the following years ended June 30:

2014	\$ 208,935
2015	214,829
2016	213,470
2017	214,086
2018	35,798
	<u>\$ 887,118</u>



**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, 2013 and for the year then ended and our report thereon appears on pages 1 and 2 of this document. That audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*PricewaterhouseCoopers LLP*

December 10, 2013

WUOM/WVGR/WFUM  
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**Schedule of Functional Expenses  
For the Year Ended June 30, 2013**

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

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**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
<b>Total Operating Expenses</b>	<b>\$ 4,058,124</b>	<b>\$ 682,635</b>	<b>\$ 4,740,759</b>	<b>\$ 1,833,816</b>	<b>\$ 999,739</b>	<b>\$ 2,833,555</b>	<b>\$ 7,574,314</b>