



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

Your **NPR** News Station 

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
with
REPORT OF INDEPENDENT AUDITORS**

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

June 30, 2017

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Report of Independent Auditors

To the Regents of the University of Michigan

We have audited the accompanying financial statements of WUOM/WVGR/WFUM-FM (“Michigan Radio”), which consists of certain departments of the University of Michigan, which comprise the statement of net position as of June 30, 2017, and the related statements of revenues, expenses, and changes in net position and of cash flows for the year then ended.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit 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 WUOM/WVGR/WFUM-FM, which consists of certain departments of the University of Michigan, as of June 30, 2017, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of 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 as of June 30, 2017, and the changes in its financial position or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, Michigan Radio changed the manner in which it accounts for postemployment benefits other than pensions in 2017. Our opinion is not modified with respect to this matter.

Other Matter

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 audit 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 15, 2017

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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, 2017 and 2016 and its activities for the two fiscal years ended June 30, 2017. 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”). Michigan Radio serves as a vital outlet for the southern Michigan region by providing a premier radio service of award-winning news, talk and entertainment programming 24 hours a day. With well-known national programs from National Public Radio (“NPR”), Public Radio International and American Public Media, Michigan Radio provides a distinctive combination of national and local programming to a statewide audience from its studios in Ann Arbor and news bureaus in Detroit, Grand Rapids and Flint.

- Michigan Radio’s three signals include: WUOM Ann Arbor and Detroit (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 stereo simulcast of Michigan Radio on HD-1 signals.
- According to Spring 2017 Nielsen ratings, Michigan Radio has approximately 525,000 listeners each week. (Source: National Regional Database, Nielsen Audio, Spring 2017, Persons 12+, M-Su 6a-12m)
- Spring 2017 Nielsen ratings also show that Michigan Radio is the top public radio station in five of the state’s top six markets, including Ann Arbor, Detroit, Flint, Grand Rapids and Kalamazoo.

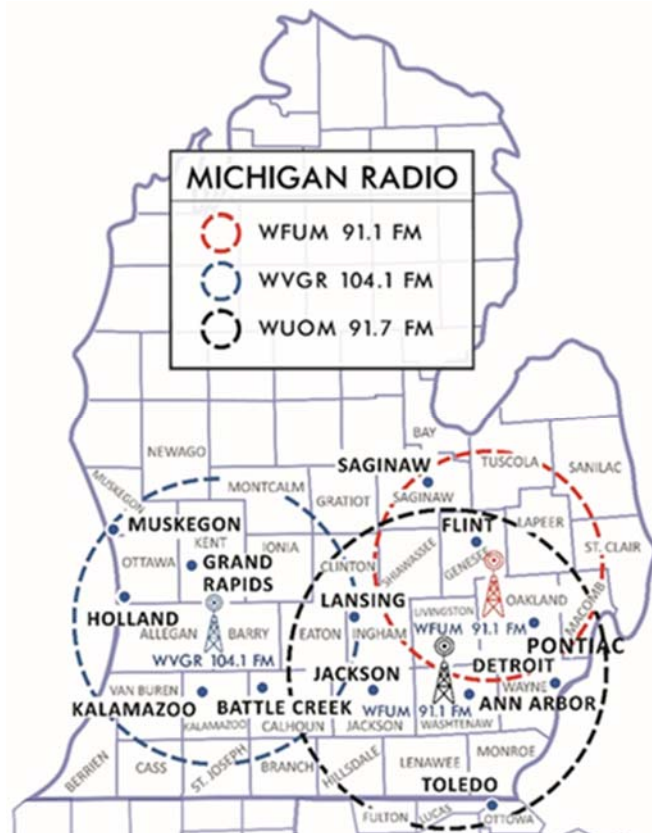


Figure 1. Michigan Radio’s broadcast coverage area provides service to most of the southern two-thirds of the state.

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

Michigan Radio’s on-air news reports, shows and segments are available via its award-winning website, michiganradio.org, which also provides exclusive, online news stories. In 2017, the station’s website averaged more than 274,400 users per month.

The top communities for traffic to michiganradio.org closely mirror the station’s over-the-air audience, with Metro Detroit, Ann Arbor, Grand Rapids, Lansing, Livonia, Kalamazoo, Farmington Hills, Troy, East Lansing and Royal Oak collectively representing nearly 50 percent of traffic.

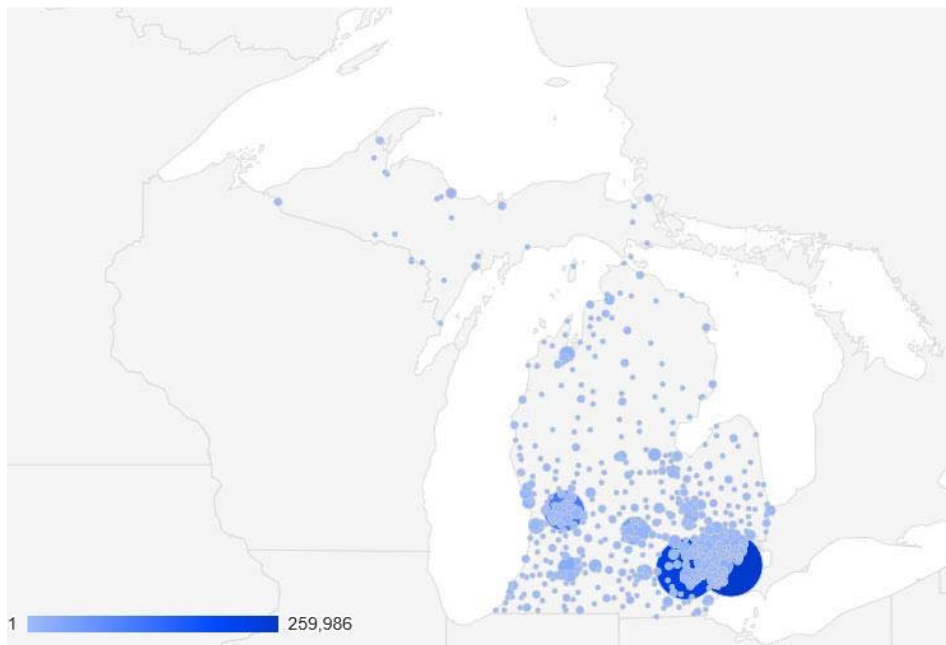


Figure 2. Usage density of michiganradio.org during 2017. Source: Google Analytics.

In 2017, Michigan Radio’s online audio streaming service continued to perform well. Average unique listeners is calculated by unique IP address, and cumulative audience (“cume”) is the number of different persons who listen to a station for at least five minutes during any time period. In 2017, Michigan Radio had an average monthly cume of 121,781, as compared to the 2016 average monthly unique connections of 87,227, an increase of 40 percent.

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



Michigan Radio's Facebook audience has grown to nearly 47,000 followers at the close of 2017. The station also became a Facebook News Partner, offering insight to the social media network as to how mid-range local news outlets use the platform to better engage with audiences. Facebook's focus on native video has pushed the station to think more strategically about how it presents its coverage. Most notably, is the introduction of audiograms, a video element which features audio and a graphic soundwave to let viewers know that while there may not be a moving image playing within their feed, there still is compelling audio to listen to. Michigan Radio has also experimented with Facebook's Live Video interface, most notably when Reporter Steve Carmody used the platform to interact with fans during the 2016 Republican and Democratic conventions.



Michigan Radio's Twitter following continues to be strong at 38,100 followers at the close of 2017. The station has started sharing Instagram stories with 5,600 Instagram followers at the close of 2017.

Michigan Radio is dedicated to helping the citizens of Michigan better understand their state, nation and world, and as such, it invests significant resources into the coverage of important stories and events across Michigan. State news stories are presented in newscasts heard hourly throughout the day and multiple times an hour during morning and afternoon drive times. Michigan Radio's reporters, news anchors and producers also produce long-form reports, interviews, online presentations and specials dealing with Michigan's economy, politics, arts and culture, environment, courts and other important issues.

Michigan Radio's journalism received some of the highest accolades and recognition in its history during 2017 for its ongoing investigative coverage of issues surrounding the Flint water crisis. While other media outlets have moved on to different stories, Michigan Radio has stuck with this important issue, providing in-depth coverage to its audience and frequent stories on NPR.

The Michigan Radio news team did not limit its outstanding coverage and efforts solely to the Flint water crisis. From how Michigan is reacting to Supreme Court rulings about sentences for juvenile lifers, to the ongoing efforts and frustrations facing the Detroit Public Schools, to female genital mutilation, to the 2016 elections and what the results have meant for Michigan, 2017 was a busy news year.

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

Stateside is Michigan Radio’s award-winning, locally produced news and information program airing live Monday through Friday at 3 p.m., with an encore presentation weeknights at 10 p.m. Monday through Thursday, *Stateside* is hosted by veteran radio and TV broadcaster Cynthia Canty, while award-winning Reporter Lester Graham hosts the program on Fridays. Each show features a mix of interviews, roundtables and feature reports about the issues that matter in Michigan, such as politics, education, policy, health, arts and the environment. *Stateside* also partners with *BBC World Service* to explore linkages between global news and events and Michigan. Through a partnership with Interlochen Public Radio, *Stateside* also airs in the Grand Traverse Region.



Figure 3. Cynthia Canty prepares for *Stateside Live* at the Flint Institute of Arts in April 2017.

This year, the program traveled to Traverse City and Flint for live, on-location editions of the show, anchored by Cynthia Canty. *Stateside* is one of Michigan Radio’s top weekday shows, with a weekly cumulative audience of over 155,000.



State of Opportunity was a multi-year reporting and outreach initiative looking at the challenges and opportunities faced by children growing up in poverty. The project ended in April 2017 after five years of weekly feature reports, an online portal, quarterly documentaries and special investigative shows, daily blogging and regular community outreach events.

State of Opportunity was funded by the W.K. Kellogg Foundation and three reporters were dedicated to this innovative public media initiative designed to drive public conversation and change for a better future for Michigan children, especially those at the bottom rung of the economic ladder. The five-year, \$1.7 million grant from the W.K. Kellogg Foundation allowed the station to bring substantial journalism and outreach resources to bear on this important topic. *State of Opportunity* has been noted for changing attitudes and behaviors related to childhood poverty among station listeners statewide.

The Detroit Journalism Cooperative (“DJC”) is an ongoing journalism project looking at Detroit’s attempts at recovery and rebirth after being the largest municipality in the country to declare bankruptcy. Michigan Radio is a key member of the project partnership, which includes *Bridge Magazine*, Detroit Public Television, WDET and New Michigan Media.



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

In December 2016, the DJC concluded its year-long project titled *The Intersection*, which included a website for both the presentation and archive of the radio, video and print stories done for the project. Michigan Radio produced a documentary titled *Separate and Unequal*, and the DJC team produced an overview of the Kerner Commission report and compared it to the current relationship between the police in Detroit and the community. The team also worked together to produce a book about the topic.

This year the DJC has been focused on what improvements are taking place in Detroit at the neighborhood level. Michigan Radio Reporter Lester Graham has been looking specifically at the Morningside neighborhood as it tries to transition, along with the city of Detroit, from bankruptcy to stability, safety and growth.

Grant funding for the project was provided by the John S. and James. L. Knight Foundation, The Ford Foundation, via Renaissance Journalism and the Corporation for Public Broadcasting (“CPB”), via Detroit Public Television

Led by News Director Vincent Duffy and Program Director Zoe Clark, 14 members of Michigan Radio’s news staff received recognition of their work through awards earned in 2017. To date, Michigan Radio has been the recipient of 38 journalism awards from various national, regional and statewide review organizations. Among these are five prestigious, Regional Edward R. Murrow awards, a Wade H. McCree Award for the Advancement of Justice from the State Bar of Michigan, a National Association of Black Journalists Award, and Michigan Radio’s first ever Scripps Howard Award, Alfred I. duPont-Columbia University Award and Third Coast International Audio Festival Award.



Figure 4. Michigan Radio staff accepting the Scripps Howard Award in April 2017. (L to R) Zoe Clark, Rebecca Williams, Vincent Duffy and Steve Carmody.

Among the most notable awards in 2017, was the “Station of the Year” award for Public Radio in Michigan in the large station category from the Michigan Association of Broadcasters. In addition to “Station of the Year,” Michigan Radio also received seven, first place “Best in Category” awards in recognition of its hard news and feature reporting, news series and newscast, in addition to other categories.

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

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

Michigan Radio’s popular *Issues & Ale* live discussion series continued with twelve events held in 2017. These events provide an informal setting for the public to engage in conversations about important issues facing Michigan. Over 1,750 people attended these discussions in various cities across Michigan, including Detroit, Grand Rapids, Kalamazoo, Ypsilanti, Ann Arbor, Flint and Lansing. Topics ranged from the role of guns in politics to protecting drinking water. Many of the events focused on previewing the Fall 2016 elections and post-election analysis. Several of these discussions also helped reinforce station programming initiatives, including *State of Opportunity*, *That’s What They Say*, *The Environment Report* and *It’s Just Politics* program features.



Figure 5. *That’s What They Say* co-hosts Anne Curzan and Rebecca Kruth speaking at an *Issues and Ale* event in January 2017.

When it comes to entertainment events for the Michigan Radio audience, storytelling has built a large following thanks to 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 created by an acclaimed nonprofit organization dedicated to the art of storytelling. Due to the popularity of these events, the Ann Arbor Moth StorySlam expanded to twice each month last fall. In June 2017, the station hosted an annual Moth Mainstage show at the Macomb Center for Performing Arts, featuring storytellers from across the country.

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

Financial Highlights

Michigan Radio’s financial position remains strong, with assets and deferred outflows of \$11.6 million and liabilities of \$3.8 million at June 30, 2017, compared to assets of \$10.1 million and liabilities of \$3.3 million at June 30, 2016. Net position, which represents the residual interest in Michigan Radio’s assets and deferred outflows after liabilities are deducted, totaled \$7.8 million and \$6.8 million at June 30, 2017 and 2016, respectively. Changes in net position represent Michigan Radio’s results of operations and are summarized for the two years ended June 30, 2017 as follows:

	2017	2016
	(in thousands)	
Operating revenues	\$ 3,247	\$ 3,170
Operating expenses	8,238	8,109
Operating loss	(4,991)	(4,939)
Private gifts for operating purposes	5,274	4,704
Other revenues, net	732	400
Increase in net position	\$ 1,015	\$ 165

Net position has been restated at July 1, 2016 for the adoption of Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (“GASB 75”) and is summarized as follows (in thousands):

Net Position at June 30, 2016	\$ 7,828
Adoption of GASB 75	(1,066)
Net Position at July 1, 2016, as restated	\$ 6,762

For purposes of management’s discussion and analysis, comparative data for the statement of net position has been provided by reflecting the adoption of GASB 75 at June 30, 2016. The activity presented within the statement of revenues, expenses and changes in net position for the year ended June 30, 2016 does not include the impact of the adoption of GASB 75.

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

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 GASB principles.

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, deferred outflows and liabilities of Michigan Radio. The difference between total assets and deferred outflows as compared to 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, deferred outflows, liabilities and net position at June 30, 2017 and 2016 is summarized as follows:

	2017	2016
	(in thousands)	
Current assets	\$ 7,317	\$ 6,183
Noncurrent assets	4,049	3,898
Total assets	11,366	10,081
Deferred outflows	266	
Total assets and deferred outflows	11,632	10,081
Current liabilities:		
Accrued compensation	348	308
Unearned revenue	176	95
Other current liabilities	98	87
Total current liabilities	622	490
Noncurrent liabilities:		
Obligations for postemployment benefits	3,233	2,829
Total liabilities	3,855	3,319
Net position	\$ 7,777	\$ 6,762

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

Current assets consist primarily of cash and cash equivalents on deposit with the University, which totaled \$7.0 million and \$5.8 million at June 30, 2017 and 2016, respectively. Noncurrent assets consist primarily of endowment investments on deposit with the University, which totaled \$2.9 million and \$2.6 million at June 30, 2017 and 2016, respectively, and capital assets, net of accumulated depreciation and amortization, which totaled \$1.0 million and \$1.1 million at June 30, 2017 and 2016, respectively.

Deferred outflows represent the consumption of net assets attributable to a future period and are primarily driven by activity associated with Michigan Radio’s obligations for postemployment benefits. Deferred outflows totaled \$266,000 at June 30, 2017.

Current liabilities consist primarily of accrued compensation and unearned revenue, which represents amounts received in advance of providing services. Noncurrent liabilities contain postemployment benefit obligations.

Net position represents the residual interest in Michigan Radio’s assets and deferred outflows after liabilities are deducted. The composition of Michigan Radio’s net position at June 30, 2017 and 2016 is summarized as follows:

	2017	2016
	(in thousands)	
Net investment in capital assets	\$ 1,014	\$ 1,063
Restricted:		
Nonexpendable	102	97
Expendable	17	
Unrestricted	6,644	5,602
	<u>\$ 7,777</u>	<u>\$ 6,762</u>

Net investment in capital assets represents Michigan Radio’s capital assets net of accumulated depreciation and amortization.

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 and includes net appreciation of permanent endowments and funds granted for support of a specific operational project.

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

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

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 two years ended June 30, 2017 is summarized as follows:

	2017	2016
	(in thousands)	
Operating revenues	\$ 3,247	\$ 3,170
Operating expenses	8,238	8,109
Operating loss	(4,991)	(4,939)
Nonoperating and other revenues (expenses):		
Private gifts for other than capital and endowment purposes	5,274	4,704
Indirect administrative support	362	352
Net investment income (loss)	365	(4)
Endowment gifts	5	52
Nonoperating and other revenues, net	6,006	5,104
Increase in net position	1,015	165
Net position, beginning of year	7,828	7,663
Adoption of GASB 75	(1,066)	
Net position, beginning of year, as restated	6,762	7,663
Net position, end of year	\$ 7,777	\$ 7,828

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

A comparative summary of Michigan Radio’s operating revenues for the two years ended June 30, 2017 is as follows:

	2017	2016
	(in thousands)	
Underwriting	\$ 1,958	\$ 1,896
Corporation for Public Broadcasting grants	449	424
Federal and nongovernmental sponsored programs	509	434
Trade	117	188
Other	214	228
	\$ 3,247	\$ 3,170

Total operating revenues increased 2 percent, or \$77,000, to \$3.2 million in 2017 due in part to underwriting revenues. In 2017, the underwriting/corporate support team had their best year to date, increasing revenue by 3 percent to \$2.0 million. During 2017, there was an increase in CPB funding of 6 percent, or \$25,000, a decrease in federal grants of 86 percent, or \$37,000, due to contract maturities, and a decrease in trade revenue of 38 percent, or \$71,000. These decreases were largely offset by nongovernmental sponsored programs which increased 29 percent, or \$112,000 during 2017 as the multi-year W.K. Kellogg Foundation grant came to a close. Other operating revenue consists of tower and studio rental fees, premium sales, special events revenue and digital media sales.

Michigan Radio’s most significant revenue stream continues to be private gifts for operating purposes, which increased 12 percent, or \$570,000, to \$5.3 million in 2017. 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. During 2017, net investment income totaled \$365,000.

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 two years ended June 30, 2017 are summarized as follows:

	2017	2016
	(in thousands)	
Direct:		
Programming and production	\$ 4,523	\$ 4,290
Engineering	437	545
Development	2,074	2,005
Management and general	842	917
	7,876	7,757
Indirect:		
Programming and production	208	194
Engineering	20	25
Development	95	91
Management and general	39	42
	362	352
Total operating expenses	\$ 8,238	\$ 8,109

Total operating expenses increased 2 percent, or \$129,000, to \$8.2 million in 2017 which included an increase in direct expenses of 2 percent, or \$119,000, due primarily to an increase in salaries and benefits driven by annual increases as well as a new compensated student intern position in programming created in January 2016. Other notable direct expense activity during 2017 includes \$52,000 in professional services associated with the upgraded membership database Allegiance, \$39,000 for development supplies and \$21,000 for surveys and ratings detail for programming. 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, 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 summary of the statement of cash flows for the two years ended June 30, 2017 is as follows:

	2017	2016
	(in thousands)	
Cash received from operations	\$ 3,230	\$ 2,956
Cash expended for operations	(7,462)	(7,399)
Net cash used in operating activities	(4,232)	(4,443)
Net cash provided by noncapital financing activities	5,341	4,614
Net cash used in capital and related financing activities	(61)	
Net cash provided by investing activities	122	62
Net increase in cash and cash equivalents	1,170	233
Cash and cash equivalents, beginning of year	5,825	5,592
Cash and cash equivalents, end of year	\$ 6,995	\$ 5,825

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

Economic Factors That May Affect the Future

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

The Community Service Grant ("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 outlook for the 2018 CSG allocation, which is based on 2016 financial reporting, indicates that a slight increase is likely.

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, particularly with sustainers, and the 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. Since fall 2015, the station has experienced significant growth in its Detroit market Nielsen audience PPM ratings, which were likely driven by the station's award-winning coverage of the Flint Water Crisis and the U.S. presidential primary and general election coverage cycle. With a growing audience, the opportunity exists to convert listeners to donors and businesses to corporate support sponsors.

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 \$302,000 in 2017. 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.

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, 2017
Assets and Deferred Outflows	
Current Assets:	
Cash and cash equivalents on deposit with the University	\$ 6,995,438
Accounts receivable, net	163,230
Current portion of pledges receivable, net	33,036
Prepaid expenses	75,988
Premium inventory	49,237
Total Current Assets	7,316,929
Noncurrent Assets:	
Endowment investments on deposit with the University	2,887,041
Pledges receivable, net	117,613
Other	30,674
Capital assets, net	1,014,129
Total Noncurrent Assets	4,049,457
Total Assets	11,366,386
Deferred Outflows	266,000
Total Assets and Deferred Outflows	\$ 11,632,386
 Liabilities and Net Position	
Current Liabilities:	
Accounts payable	\$ 32,478
Accrued compensation	348,097
Unearned revenue	176,382
Current portion of obligations for postemployment benefits	65,000
Total Current Liabilities	621,957
Noncurrent Liabilities:	
Obligations for postemployment benefits	3,233,000
Total Liabilities	3,854,957
Net Position:	
Net investment in capital assets	1,014,129
Restricted:	
Nonexpendable	101,745
Expendable	17,409
Unrestricted	6,644,146
Total Net Position	7,777,429
Total Liabilities and Net Position	\$ 11,632,386

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

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Statement of Revenues, Expenses and Changes in Net Position

	<u>Year Ended June 30, 2017</u>
Operating Revenues	
Underwriting	\$ 1,957,613
Corporation for Public Broadcasting grants	448,999
Nongovernmental sponsored programs	503,120
Federal grants and contracts	6,052
Trade	116,704
Rental income	133,505
Premium sales	69,329
Other	12,068
Total Operating Revenues	<u>3,247,390</u>
Operating Expenses	
Program Services:	
Programming and production	4,730,355
Engineering	457,455
Total Program Services	<u>5,187,810</u>
Supporting Services:	
Development	2,168,870
Management and general	881,322
Total Supporting Services	<u>3,050,192</u>
Total Operating Expenses	<u>8,238,002</u>
Operating loss	<u>(4,990,612)</u>
Nonoperating Revenues	
Private gifts for other than capital and endowment purposes	5,274,249
Indirect administrative support from the University	361,568
Net investment income	364,817
Total Nonoperating Revenues, Net	<u>6,000,634</u>
Income before other revenues	1,010,022
Other Revenues	
Private gifts for permanent endowment purposes	5,050
Total Other Revenues	<u>5,050</u>
Increase in net position	1,015,072
Net Position, Beginning of Year	7,828,357
Adoption of GASB 75	(1,066,000)
Net Position, Beginning of Year, As Restated	<u>6,762,357</u>
Net Position, End of Year	<u>\$ 7,777,429</u>

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

WUOM/WVGR/WFUM
(A PUBLIC TELECOMMUNICATIONS ENTITY
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Statement of Cash Flows

	Year Ended June 30, 2017
Cash Flows from Operating Activities	
Underwriting	\$ 2,037,165
Corporation for Public Broadcasting grants	448,999
Nongovernmental sponsored programs	518,142
Federal grants and contracts	11,064
Rental income	133,505
Premium sales	69,329
Other receipts	12,068
Payments for salaries and benefits	(4,272,953)
Payments for program rights	(1,491,576)
Payments for operating and administrative expenses	(1,697,322)
Net Cash Used in Operating Activities	(4,231,579)
Cash Flows from Noncapital Financing Activities	
Private gifts	5,341,014
Net Cash Provided by Noncapital Financing Activities	5,341,014
Cash Flows from Capital and Related Financing Activities	
Purchases of capital assets	(60,737)
Net Cash Used in Capital Financing Activities	(60,737)
Cash Flows from Investing Activities	
Investment income	139,510
Purchases of investments	(17,550)
Net Cash Provided by Investing Activities	121,960
Net increase in cash and cash equivalents	1,170,658
Cash and Cash Equivalents on Deposit with the University, Beginning of Year	5,824,780
Cash and Cash Equivalents on Deposit with the University, End of Year	\$ 6,995,438

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

WUOM/WVGR/WFUM
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Statement of Cash Flows--Continued

	Year Ended June 30, 2017
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (4,990,612)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Indirect administrative support	361,568
Depreciation and amortization expense	109,927
Changes in assets and liabilities:	
Accounts receivable, net	18,738
Prepaid expenses	(6,322)
Premium inventory	5,065
Accounts payable	(2,203)
Accrued compensation	40,411
Unearned revenue	80,849
Obligations for postemployment benefits	417,000
Changes in deferred outflows	(266,000)
Net cash used in operating activities	\$ (4,231,579)

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

WUOM/WVGR/WFUM
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Notes to Financial Statements

June 30, 2017

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 operates under the control of the Regents of 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, Flint and Grand Rapids.

Michigan Radio operates under control of the University and accordingly, utilizes assets whose title is vested in the University. The assets, deferred outflows, liabilities, revenues, expenses and changes in net position of Michigan Radio are included in the consolidated financial statements of the University. As part of the University, Michigan Radio is exempt from income taxes under Internal Revenue Code Sections 501(c)(3) and 115.

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 2017, the University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, (“GASB 75”). This statement supersedes GASB Statement No. 45 and establishes new requirements for calculating and reporting the University’s postemployment benefits. The adoption of GASB 75 has been reflected as of the beginning of the earliest period presented in the financial statements, resulting in an increase in obligations for postemployment benefits and a decrease in unrestricted net position of \$1,066,000 at July 1, 2016.

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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 and amortization.
- 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 Board of 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 purchased 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.

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. Permanent endowment pledges do not meet eligibility requirements, as defined by GASB, and are not recorded as assets until the related gift is received.

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Notes to Financial Statements--Continued

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

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. The discounts on these amounts are computed using risk-free interest rates applicable to the years in which the promises are made, commensurate with expected future payments. An allowance for uncollectible pledges receivable is provided based on management's judgment of potential uncollectible amounts and 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, as well as membership/association dues for subsequent months after 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 on deposit with the University 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 fair market value 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 fair market value 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 Michigan Radio.

Capital assets are recorded at cost or, if donated, at acquisition value at the date of donation. Depreciation of capital assets is provided on a straight-line method 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, web streaming introductions and web tile squares placed on MichiganRadio.org. 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. 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.

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.

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Notes to Financial Statements--Continued

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 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, 2017, the Long Term Portfolio consisted of cash and equivalents (1 percent), fixed income securities (8 percent), U.S. and non-U.S. equities (12 percent), commingled funds (27 percent), and nonmarketable alternative investments (52 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.

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Notes to Financial Statements--Continued

Note 2--Cash and Investments--Continued

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 13 percent of the portfolio at June 30, 2017.

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 quarterly distributions from the UEF based on the University's endowment spending rule. The annual distribution rate is 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. Monthly 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.

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Notes to Financial Statements--Continued

Note 2--Cash and Investments--Continued

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.

GASB Statement No. 72 defines fair value and establishes a framework for measuring fair value that includes a three tiered hierarchy of valuation inputs, placing a priority on those which are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entity's own assumptions about how market participants would value an asset or liability based on the best information available. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. The three levels of inputs, of which the first two are considered observable and the last unobservable, are as follows:

- Level 1 – Quoted prices for identical assets or liabilities in active markets that can be accessed at the measurement date
- Level 2 – Other significant observable inputs, either direct or indirect, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable; or market corroborated inputs
- Level 3 – Unobservable inputs

A significant portion of the underlying investments of the University's commingled pools include nonmarketable alternative investments and certain commingled funds described earlier in this note that are priced by managers using net asset value. The proprietary valuation techniques and unobservable pricing assumptions used by these managers to estimate fair value may have a significant impact on the resulting fair value determination of these investments. However, Michigan Radio uses Level 2 inputs to measure the fair value of its investments in the University's commingled pools described in Note 1 and within this note, since shares may be purchased or sold subject to holding and notice requirements at the fair market values determined by the University.

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Notes to Financial Statements--Continued

Note 3--Accounts Receivable

The composition of accounts receivable at June 30, 2017 is summarized as follows:

Underwriting	\$ 170,768
Other	3,519
	174,287
Less allowance for uncollectible accounts receivable	11,057
	\$ 163,230

Note 4--Pledges Receivable

The composition of pledges receivable at June 30, 2017 is summarized as follows:

Gift pledges outstanding	\$ 172,098
Less allowance for uncollectible pledges and unamortized discount to present value	21,449
	150,649
Total pledges receivable, net	33,036
Less current portion	33,036
	\$ 117,613

Payments on pledges receivable at June 30, 2017 are expected to be received in the following years ended June 30:

2018	\$ 47,098
2019	45,000
2020	40,000
2021	40,000
	\$ 172,098

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Notes to Financial Statements--Continued

Note 5--Capital Assets

Capital assets activity for the year ended June 30, 2017 is summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$ 290,238			\$ 290,238
Transmitter, tower and equipment	2,028,767	\$ 60,737		2,089,504
Leasehold improvement	1,665,493			1,665,493
	3,984,498	60,737	\$ -	4,045,235
Less accumulated depreciation and amortization	2,921,179	109,927		3,031,106
	<u>\$ 1,063,319</u>	<u>\$ (49,190)</u>	<u>\$ -</u>	<u>\$ 1,014,129</u>

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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 postemployment benefits expense is actuarially determined in accordance with GASB 75. 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.

The University's recorded liability for postemployment benefits obligations was calculated using the entry age normal level percent of pay method. Michigan Radio's annual postemployment benefits 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 year ended June 30, 2017 is summarized as follows:

Balance, beginning of year	\$ 2,881,000
Net benefits expense	203,000
Deferred outflows	<u>214,000</u>
Balance, end of year	3,298,000
Less current portion	<u>65,000</u>
	<u>\$ 3,233,000</u>

At June 30, 2017, deferred outflows reported in the statement of net position included benefit payments made after the measurement date of \$52,000. 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, 2017 as a percentage of covered payroll of \$3,140,934 was 105 percent.

Significant actuarial assumptions used at each respective measurement date are as follows:

	June 30, 2016	July 1, 2015
Discount rate*	2.85%	3.80%
Inflation rate	2.75%	2.75%
Immediate/ultimate administrative trend rate	0.0%/3.0%	0.0%/3.0%
Immediate/ultimate medical trend rate	7.0%/4.5%	7.0%/4.5%
Immediate/ultimate Rx trend rate	10.0%/4.5%	10.5%/4.5%
Increase in compensation rate	4.00%	4.00%
Mortality table**	RP-2014 White Collar Head Count Table, Scale MP-2015	RP-2014 White Collar Head Count Table, Scale MP-2014
Average future work life expectancy (years)		
– Retiree health and welfare	9.54	N/A
– Long-term disability	11.90	N/A

* Bond Buyer 20-year General Obligation Municipal Bond Index as of the last publication of the measurement period

** Based on the University's study of mortality experience from 2010-2014

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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 year ended June 30, 2017 are summarized as follows:

Michigan Radio contributions	\$ 263,169
Employee contributions	\$ 138,080
Payroll covered under plan	\$ 3,140,934
Total payroll	\$ 3,264,507

Note 8--Commitments and Contingencies

Michigan Radio has entered into operating leases for space, which expire at various dates through 2023. Outstanding commitments for these leases are expected to be paid in the following years ended June 30:

2018	\$ 243,135
2019	250,332
2020	256,264
2021	252,575
2022	260,152
2023	43,570
	<u>\$ 1,306,028</u>



Report of Independent Auditors on Supplementary Information

To The Regents of the University of Michigan

We have audited the financial statements of WUOM/WVGR/WFUM-FM as of June 30, 2017 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 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 15, 2017

WUOM/WVGR/WFUM
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**Schedule of Functional Expenses
For the Year Ended June 30, 2017**

	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	\$ 2,326,822	\$ 250,870	\$ 2,577,692	\$ 1,215,888	\$ 670,784	\$ 1,886,672	\$ 4,464,364
Program fees	1,491,227		1,491,227			-	1,491,227
Depreciation and amortization	61,266	7,403	68,669	26,571	14,687	41,258	109,927
Indirect administrative support	207,617	20,077	227,694	95,192	38,682	133,874	361,568
Professional services	277,939	13,279	291,218	270,104	47,212	317,316	608,534
Equipment and space rental	129,334	(17,531)	111,803	53,572	29,532	83,104	194,907
Advertising	13,648		13,648	144,322		144,322	157,970
Supplies	12,952	41,117	54,069	141,154	13,548	154,702	208,771
Travel and conferences	65,005	6,370	71,375	32,481	9,358	41,839	113,214
Telecommunications	26,583	43,497	70,080	9,387	29,947	39,334	109,414
Repairs and maintenance	445	9,564	10,009	5,387	22,821	28,208	38,217
Utilities	10,167	82,055	92,222	4,359	2,409	6,768	98,990
Postage and freight	132	104	236	66,137	17	66,154	66,390
Surveys and ratings	96,050	650	96,700	1,375		1,375	98,075
Merchant service fees			-	102,466		102,466	102,466
Memberships and dues	11,168		11,168	475	2,325	2,800	13,968
Total Operating Expenses	\$ 4,730,355	\$ 457,455	\$ 5,187,810	\$ 2,168,870	\$ 881,322	\$ 3,050,192	\$ 8,238,002