



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

Your NPR News Station 

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 and 2018
with
REPORT OF INDEPENDENT AUDITORS**

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

June 30, 2019 and 2018

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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, 2019 and June 30, 2018, and the related statements of revenues, expenses, and changes in net position and of cash flows for the years 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 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 WUOM/WVGR/WFUM-FM, which consists of certain departments of the University of Michigan, as of June 30, 2019 and June 30, 2018, and the changes in its financial position and its cash flows for the years 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, 2019 and June 30, 2018, and the changes in its financial position, or, where applicable, its cash flows for the years 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.

Other Matter

The accompanying management's discussion and analysis on pages 3 through 12 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 16, 2019

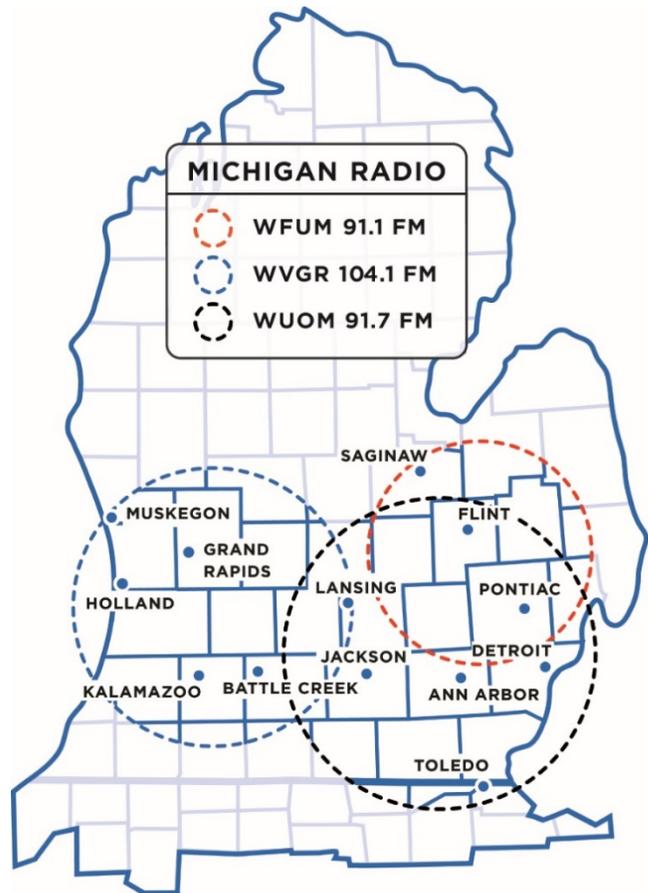
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Management’s Discussion and Analysis (Unaudited)

Introduction

The following discussion and analysis provides an overview of the financial position of WUOM/WVGR/WFUM (“Michigan Radio”) at June 30, 2019 and 2018 and its activities for the three fiscal years ended June 30, 2019. 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 licensed by the Federal Communications Commission and operates under the control of the Regents of the University of Michigan (the “University”). The station is a National Public Radio (“NPR”) affiliate simulcasting news and information programming via three FM signals: 91.7 WUOM Ann Arbor/Detroit, 104.1 WGVR Grand Rapids and 91.1 WFUM Flint. Collectively, the signals span over 30 counties in the southern half of lower Michigan and are accessible by approximately 80 percent of the state’s population. According to Spring 2019 research by Nielsen Audio National Regional Database (Persons 12+, Mon-Sun 6am-12Mid), approximately 972,000 people tune in to Michigan Radio broadcasts each month.



The station also distributes robust content via its news website MichiganRadio.org through live streaming and multimedia-rich articles. The news website garners approximately 357,000 users and 884,000 page views per month. The website’s online stream has an average of 159,000 listeners and 775,000 total listening hours per month. In addition, Michigan Radio’s content is shared widely on social media platforms, with approximately 120,000 combined fans/followers on Facebook and Twitter.

Michigan Radio provides Michigan residents with a distinctive combination of national and local programming 24 hours a day, seven days per week. The station carries popular national programs such as *Morning Edition* and *All Things Considered* from NPR, *BBC News Hour* from the British Broadcasting Corporation and *Marketplace* from American Public Media. Michigan Radio also produces its own daily, hour-long newsmagazine program, *Stateside*, which is in its seventh year covering Michigan news, policy issues and culture.

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

Michigan Radio generates award-winning local news coverage from its studios in Ann Arbor and news bureaus in Detroit, Grand Rapids, Lansing and Flint. The station’s journalists provide daily coverage of civically important issues in addition to breaking news and lifestyle stories. Journalism highlights from 2019 include continued coverage of the Flint Water Crisis and Lead and Copper Rule, PFAS water contamination and the station’s first original content podcast, *Believed*.

Financial Highlights

Michigan Radio’s financial position remains strong, with assets and deferred outflows of \$13.2 million and liabilities and deferred inflows of \$4.2 million at June 30, 2019, compared to assets and deferred outflows of \$12.7 million and liabilities and deferred inflows of \$4.0 million at June 30, 2018. Net position, which represents the residual interest in Michigan Radio’s assets and deferred outflows after liabilities and deferred inflows are deducted, totaled \$9.0 million and \$8.7 million at June 30, 2019 and 2018, respectively. Changes in net position represent Michigan Radio’s results of operations and are summarized for the years ended June 30 as follows:

	2019	2018	2017
	(in thousands)		
Operating revenues	\$ 3,039	\$ 3,105	\$ 3,247
Operating expenses	9,101	8,458	8,238
Operating loss	(6,062)	(5,353)	(4,991)
Private gifts for operating purposes	5,446	5,519	5,274
Other revenues, net	953	735	732
Increase in net position	\$ 337	\$ 901	\$ 1,015

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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 Governmental Accounting Standards Board (“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, liabilities and deferred inflows of Michigan Radio. The difference between total assets and deferred outflows as compared to total liabilities and deferred inflows - 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. Michigan Radio’s assets, deferred outflows, liabilities, deferred inflows and net position at June 30 are summarized as follows:

	2019	2018	2017
	(in thousands)		
Current assets	\$ 8,396	\$ 8,097	\$ 7,317
Noncurrent assets	4,511	4,318	4,049
Total assets	12,907	12,415	11,366
Deferred outflows	293	312	266
Total assets and deferred outflows	13,200	12,727	11,632
Current liabilities:			
Accrued compensation	387	329	348
Unearned revenue	117	157	176
Other current liabilities	95	109	98
Total current liabilities	599	595	622
Noncurrent liabilities:			
Obligations for postemployment benefits	3,103	3,256	3,233
Total liabilities	3,702	3,851	3,855
Deferred inflows	483	198	
Net position	\$ 9,015	\$ 8,678	\$ 7,777

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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 \$8.1 million and \$7.7 million at June 30, 2019 and 2018, respectively. Noncurrent assets consist primarily of endowment investments on deposit with the University, which totaled \$3.6 million and \$3.3 million at June 30, 2019 and 2018, respectively, and capital assets, net of accumulated depreciation, which totaled \$825,000 and \$909,000 at June 30, 2019 and 2018, respectively.

Deferred outflows represent the consumption of net assets attributable to a future period and are primarily driven by activity associated with the portion of the University’s obligations for postemployment benefits allocated to Michigan Radio. Deferred outflows totaled \$293,000 and \$312,000 at June 30, 2019 and 2018, respectively.

Current liabilities consist primarily of accrued compensation and unearned revenue. Noncurrent liabilities contain postemployment benefit obligations.

Deferred inflows represent the acquisition of net assets attributable to a future period and are related to activity associated with the portion of the University’s obligations for postemployment benefits allocated to Michigan Radio. Deferred inflows totaled \$483,000 and \$198,000 at June 30, 2019 and 2018, respectively.

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

	2019	2018	2017
	(in thousands)		
Net investment in capital assets	\$ 825	\$ 909	\$ 1,014
Restricted:			
Nonexpendable	284	118	102
Expendable	98	73	17
Unrestricted	7,808	7,578	6,644
	\$ 9,015	\$ 8,678	\$ 7,777

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

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.

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

Although unrestricted net position is not subject to externally imposed donor 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. Michigan Radio’s revenues, expenses and changes in net position for the years ended June 30 are summarized as follows:

	2019	2018	2017
	(in thousands)		
Operating revenues	\$ 3,039	\$ 3,105	\$ 3,247
Operating expenses	9,101	8,458	8,238
Operating loss	(6,062)	(5,353)	(4,991)
Nonoperating and other revenues:			
Private gifts for other than capital and endowment purposes	5,446	5,519	5,274
Indirect administrative support	422	358	362
Net investment income	365	361	365
Endowment gifts	166	16	5
Nonoperating and other revenues	6,399	6,254	6,006
Increase in net position	337	901	1,015
Net position, beginning of year	8,678	7,777	7,828
Adoption of GASB 75			(1,066)
Net position, beginning of year, as restated	8,678	7,777	6,762
Net position, end of year	\$ 9,015	\$ 8,678	\$ 7,777

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

Michigan Radio’s operating revenues for the years ended June 30 are as follows:

	2019	2018 (in thousands)	2017
Underwriting	\$ 2,034	\$ 2,155	\$ 1,958
Corporation for Public Broadcasting grants	487	455	449
Federal and nongovernmental sponsored programs	94	139	509
Trade	120	122	117
Other	304	234	214
	<u>\$ 3,039</u>	<u>\$ 3,105</u>	<u>\$ 3,247</u>

Total operating revenues decreased 2 percent, or \$66,000, to \$3.0 million in 2019, as compared to 4 percent, or \$142,000, to \$3.1 million in 2018, due in large part to decreased sponsored program activity. In 2019, Federal and nongovernmental sponsored programs grant revenue fell by 32 percent, or \$45,000, with the completion and non-renewal of the W.K. Kellogg Foundation 5-year grant, and underwriting revenue saw a decrease of 6 percent, or \$121,000, from the prior year. During 2019, these decreases were largely offset by an increase in revenue from department activity including proceeds from the *Believed* podcast of \$43,000, as well as an increase of premium sales of \$23,000, and an increase in the Corporation for Public Broadcasting (“CPB”) grants of \$32,000. Other operating revenue consists of tower and studio rental fees, premium sales, revenue from department activity, special events revenue and digital media sales.

Michigan Radio’s most significant revenue stream continues to be private gifts for operating purposes, which decreased 1 percent, or \$73,000, to \$5.4 million in 2019 and increased 5 percent, or \$245,000, to \$5.5 million in 2018. When placed in the context of the economic climate of Michigan Radio’s listening area and the overall trend of declining membership nationwide, the slight decline of this revenue stream during 2019 is an accomplishment. Net investment income totaled \$365,000 and \$361,000 in 2019 and 2018, respectively.

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

Michigan Radio’s operating expenses for the years ended June 30 are summarized as follows:

	2019	2018	2017
	(in thousands)		
Direct:			
Programming and production	\$ 4,906	\$ 4,540	\$ 4,523
Engineering	521	563	437
Development	2,324	2,078	2,074
Management and general	928	919	842
	8,679	8,100	7,876
Indirect:			
Programming and production	239	201	208
Engineering	25	25	20
Development	113	92	95
Management and general	45	40	39
	422	358	362
Total operating expenses	\$ 9,101	\$ 8,458	\$ 8,238

Total operating expenses increased 8 percent, or \$643,000, to \$9.1 million in 2019, as compared to 3 percent, or \$220,000, to \$8.5 million in 2018. The increase in 2019 included an increase in direct expenses of 7 percent, or \$580,000, due primarily to activity associated with salaries and benefits including annual increases and staff equity reclassifications. Other notable increases in direct expense activity during 2019 include \$48,000 in program fees, \$73,000 in professional services associated with development ventures and increased mailings, \$27,000 for additional surveys for programming and \$31,000 for travel and hosting related expenses. 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. Michigan Radio's cash flows for the years ended June 30 are summarized as follows:

	2019	2018	2017
	(in thousands)		
Cash received from operations	\$ 2,873	\$ 2,917	\$ 3,230
Cash expended for operations	(8,234)	(7,703)	(7,462)
Net cash used in operating activities	(5,361)	(4,786)	(4,232)
Net cash provided by noncapital financing activities	5,655	5,584	5,341
Net cash used in capital and related financing activities	(11)		(61)
Net cash provided by (used in) investing activities	50	(55)	122
Net increase in cash and cash equivalents	333	743	1,170
Cash and cash equivalents, beginning of year	7,738	6,995	5,825
Cash and cash equivalents, end of year	<u>\$ 8,071</u>	<u>\$ 7,738</u>	<u>\$ 6,995</u>

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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 economies, 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.

Membership revenue, Michigan Radio’s most significant source of revenue, is a critical dependency. Supporting a public radio organization through membership finds less appeal in demographics under the age of 40 and among millennials in particular, as they emerge with their economic standing in the country.

At the same time, the demographic divide regarding support for philanthropy is apparent in all non-profit sectors, including higher education and public radio. While Michigan Radio continues to attain its revenue goals from year to year, making the transition from conventional giving methods to patterns, it is now adjusting to new trends in the digital landscape. Younger demographics listen online and often prefer to listen to podcasts on their schedules. This demographic prefers to give to individual programs specifically rather than a public radio station entity. Many millennials are becoming more likely to consume public radio content through an audio stream, either in earbuds or through the rapid adoption of smart speakers.

Michigan Radio has to navigate the path of building attraction and adoption with younger listeners who have different and distinct consumption preferences to the longer-established listeners who still find conventional giving methods acceptable and comfortable.

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, encourages independence in programming decisions and affords stations with a critical measure of certainty in their business planning. In 2020, an adjustment in the formula and criteria for the grant has caused the CPB to favor stations smaller than Michigan Radio and regions which are less served than the regions in which Michigan Radio operates. This adjustment will potentially translate to a decrease in the station’s CSG. Instead of level allocation or modest growth, the expectation is for a 4 to 5 percent decline when the revised formulation is activated. The implementation of these changes will not impact 2020 but will factor into planning efforts for 2021.

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

Concurrent with a forecast decline in the CSG, the station will also experience notable fee increases from NPR for its national programming. NPR designed a fee model that explores a notion of redistributing a portion of fees away from the smallest cohorts of stations to the largest stations. Michigan Radio is considered a large station across a spectrum of comparative sizes from small to extra large. This new fee model uses stations' membership revenue, the most stable and universal component of audience-sensitive income, as its sole anchor metric. The result for Michigan Radio will be an increase of 9 percent, or \$100,000, over the current annual fee model from 2020 to 2021.

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. The station's broadcast audience remains consistent with approximately 972,000 monthly listeners, while the online streaming audience continues to attract more users, recently influenced by the advancing proliferation of smart speakers. With a growing audience, the opportunity exists to convert listeners to donors and businesses to corporate support sponsors.

In other areas of growth, station management negotiated and secured a new broadcast coverage signal to serve the Port Huron area at 91.3 FM during 2019. The conversion of WRSX, Port Huron to a full-time 24 hour simulcast of Michigan Radio in September 2018 was accomplished with no operating costs and expedited approvals secured from NPR. The addition of Michigan Radio programming on WRSX fills a void for the Blue Water region where no public radio broadcast service was previously available. The Port Huron signal at 91.3 FM serves the Blue Water Bridge area where 1.6 million cars and 826,000 trucks cross annually.

In keeping with its strategic plan, Michigan Radio has been successful in efforts to diversify revenue streams and manage costs to meet the challenges of the current economic environment. Michigan Radio recently introduced donor international travel experiences led by a station personality to generate auxiliary income. In addition, Michigan Radio is actively partnering with other units of the University to capitalize on existing development efforts to establish and maintain 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,	
	2019	2018
Assets and Deferred Outflows		
Current Assets:		
Cash and cash equivalents on deposit with the University	\$ 8,070,505	\$ 7,737,449
Accounts receivable, net	215,942	210,393
Current portion of pledges receivable, net	22,175	27,532
Prepaid expenses	38,293	57,848
Premium inventory	48,987	64,142
Total Current Assets	8,395,902	8,097,364
Noncurrent Assets:		
Endowment investments on deposit with the University	3,615,762	3,301,228
Pledges receivable, net	37,707	75,358
Other	32,617	31,652
Capital assets, net	824,984	909,211
Total Noncurrent Assets	4,511,070	4,317,449
Total Assets	12,906,972	12,414,813
Deferred Outflows	293,000	312,000
Total Assets and Deferred Outflows	\$ 13,199,972	\$ 12,726,813
Liabilities, Deferred Inflows and Net Position		
Current Liabilities:		
Accounts payable	\$ 30,265	\$ 34,779
Accrued compensation	386,915	328,971
Unearned revenue	116,905	157,071
Current portion of obligations for postemployment benefits	65,000	74,000
Total Current Liabilities	599,085	594,821
Noncurrent Liabilities:		
Obligations for postemployment benefits	3,103,000	3,256,000
Total Liabilities	3,702,085	3,850,821
Deferred Inflows	483,000	198,000
Net Position:		
Net investment in capital assets	824,984	909,211
Restricted:		
Nonexpendable	284,295	118,195
Expendable	97,762	73,013
Unrestricted	7,807,846	7,577,573
Total Net Position	9,014,887	8,677,992
Total Liabilities, Deferred Inflows and Net Position	\$ 13,199,972	\$ 12,726,813

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,	
	2019	2018
Operating Revenues		
Underwriting	\$ 2,034,332	\$ 2,154,931
Corporation for Public Broadcasting grants	487,432	454,994
Nongovernmental sponsored programs	93,973	138,937
Trade	119,913	121,520
Rental income	145,436	143,567
Premium sales	70,439	46,962
Other	87,079	44,206
Total Operating Revenues	3,038,604	3,105,117
Operating Expenses		
Program Services:		
Programming and production	5,145,875	4,741,108
Engineering	545,746	588,017
Total Program Services	5,691,621	5,329,125
Supporting Services:		
Development	2,436,813	2,169,713
Management and general	973,068	959,323
Total Supporting Services	3,409,881	3,129,036
Total Operating Expenses	9,101,502	8,458,161
Operating Loss	(6,062,898)	(5,353,044)
Nonoperating Revenues		
Private gifts for other than capital and endowment purposes	5,446,299	5,519,332
Indirect administrative support from the University	421,733	358,132
Net investment income	365,661	359,693
Total Nonoperating Revenues	6,233,693	6,237,157
Income Before Other Revenues	170,795	884,113
Other Revenues		
Private gifts for permanent endowment purposes	166,100	16,450
Total Other Revenues	166,100	16,450
Increase in Net Position	336,895	900,563
Net Position, Beginning of Year	8,677,992	7,777,429
Net Position, End of Year	\$ 9,014,887	\$ 8,677,992

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

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Statement of Cash Flows

	Year Ended June 30,	
	2019	2018
Cash Flows from Operating Activities		
Underwriting	\$ 2,065,658	\$ 2,064,802
Corporation for Public Broadcasting grants	487,432	454,994
Nongovernmental sponsored programs	24,100	178,191
Rental income	147,936	128,567
Premium sales	70,439	46,962
Other receipts	77,409	43,606
Payments for salaries and benefits	(4,942,899)	(4,498,101)
Payments for program rights	(1,570,223)	(1,505,634)
Payments for operating and administrative expenses	(1,721,379)	(1,699,445)
Net Cash Used in Operating Activities	(5,361,527)	(4,786,058)
Cash Flows from Noncapital Financing Activities		
Private gifts	5,655,406	5,583,541
Net Cash Provided by Noncapital Financing Activities	5,655,406	5,583,541
Cash Flows from Capital and Related Financing Activities		
Purchases of capital assets	(10,986)	
Net Cash Used in Capital and Related Financing Activities	(10,986)	-
Cash Flows from Investing Activities		
Investment income	304,283	209,728
Purchases of investments	(254,120)	(265,200)
Net Cash Provided by (Used in) Investing Activities	50,163	(55,472)
Net Increase in Cash and Cash Equivalents	333,056	742,011
Cash and Cash Equivalents on Deposit with the University, Beginning of Year	7,737,449	6,995,438
Cash and Cash Equivalents on Deposit with the University, End of Year	\$ 8,070,505	\$ 7,737,449

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

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Statement of Cash Flows--Continued

	Year Ended June 30,	
	2019	2018
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (6,062,898)	\$ (5,353,044)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Indirect administrative support	421,733	358,132
Depreciation expense	95,213	104,918
Changes in assets and liabilities:		
Accounts receivable, net	(5,549)	(47,163)
Prepaid expenses	19,555	18,140
Premium inventory	15,155	(14,905)
Accounts payable	(4,514)	2,301
Accrued compensation	57,944	(19,126)
Unearned revenue	(40,166)	(19,311)
Obligations for postemployment benefits	(162,000)	32,000
Changes in deferred outflows	19,000	(46,000)
Changes in deferred inflows	285,000	198,000
Net Cash Used in Operating Activities	\$ (5,361,527)	\$ (4,786,058)

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

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Notes to Financial Statements

June 30, 2019 and 2018

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.

The assets, deferred outflows, liabilities, deferred inflows, 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.

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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.
- 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 or the Board of Regents.

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 give 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 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 depreciated 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, indirect administrative support from the University and investment income.

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 general targets for both equities and 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, 2019 and 2018, the Long Term Portfolio consisted of cash and equivalents (1 percent and 2 percent), fixed income securities (4 percent and 6 percent), U.S. and non-U.S. equities (9 percent and 10 percent), commingled funds (25 percent and 21 percent), and nonmarketable alternative investments (61 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 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 11 percent and 10 percent of the portfolio at June 30, 2019 and 2018, respectively.

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 notice given to the University one month prior to the end of the preceding quarter, based upon University policy, generally after a five year investment period. Withdrawals may be made from the UIP on a daily basis.

GASB 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, 2019 and 2018 is summarized as follows:

	2019	2018
Underwriting	\$ 197,186	\$ 209,614
Other	19,086	3,100
	<u>216,272</u>	<u>212,714</u>
Less allowance for uncollectible accounts receivable	330	2,321
	<u>\$ 215,942</u>	<u>\$ 210,393</u>

Note 4--Pledges Receivable

The composition of pledges receivable at June 30, 2019 and 2018 is summarized as follows:

	2019	2018
Gift pledges outstanding	\$ 66,360	\$ 113,875
Less allowance for uncollectible pledges and unamortized discount to present value	6,478	10,985
Total pledges receivable, net	<u>59,882</u>	<u>102,890</u>
Less current portion	22,175	27,532
	<u>\$ 37,707</u>	<u>\$ 75,358</u>

Payments on pledges receivable at June 30, 2019 are expected to be received in the following years ended June 30:

2020	\$ 26,360
2021	<u>40,000</u>
	<u>\$ 66,360</u>

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Notes to Financial Statements--Continued

Note 5--Capital Assets

Capital assets activity for the years ended June 30, 2019 and 2018 is summarized as follows:

	2019			
	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$ 290,238			\$ 290,238
Transmitter, tower and equipment	2,089,504	\$ 10,986		2,100,490
Leasehold improvements	1,665,493			1,665,493
	4,045,235	10,986	-	4,056,221
Less accumulated depreciation	3,136,024	95,213		3,231,237
	<u>\$ 909,211</u>	<u>\$ (84,227)</u>	<u>\$ -</u>	<u>\$ 824,984</u>

	2018			
	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$ 290,238			\$ 290,238
Transmitter, tower and equipment	2,089,504			2,089,504
Leasehold improvements	1,665,493			1,665,493
	4,045,235	-	-	4,045,235
Less accumulated depreciation	3,031,106	\$ 104,918		3,136,024
	<u>\$ 1,014,129</u>	<u>\$ (104,918)</u>	<u>\$ -</u>	<u>\$ 909,211</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.

Actuarial projections of postemployment 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 reported 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 reported total liability for Michigan Radio's postemployment benefits obligations for the years ended June 30, 2019 and 2018 are summarized as follows:

	2019	2018
Balance, beginning of year	\$ 3,330,000	\$ 3,298,000
Net benefits expense	136,000	189,000
(Decrease) increase in deferred outflows	(13,000)	41,000
Increase in deferred inflows	(285,000)	(198,000)
Balance, end of year	3,168,000	3,330,000
Less current portion	65,000	74,000
	<u>\$ 3,103,000</u>	<u>\$ 3,256,000</u>

At June 30, 2019 deferred outflows reported in the statement of net position included benefit payments made after the measurement date of \$51,000. 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, 2019 and 2018 as a percentage of covered payroll of \$3,650,436 and \$3,303,794 were 87 percent and 101 percent, respectively.

Significant actuarial assumptions used at the June 30, 2018 and 2017 measurement dates are as follows:

	2018	2017
Discount rate*	3.87%	3.58%
Inflation rate	2.00%	2.00%
Immediate/ultimate administrative trend rate	0.0%/3.0%	0.0%/3.0%
Immediate/ultimate medical trend rate	6.5%/4.5%	6.5%/4.5%
Immediate/ultimate Rx trend rate	9.0%/4.5%	9.5%/4.5%
Increase in compensation rate	4.00%	4.00%
Mortality table**	RP-2014 White Collar Head Count Table, Scale MP-2017	RP-2014 White Collar Head Count Table, Scale MP-2016
Average future work life expectancy (years):		
Retiree health and welfare	9.14	9.17
Long-term disability	11.47	11.43

* 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 TIAA 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, 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 years ended June 30, 2019 and 2018 are summarized as follows:

	2019	2018
Michigan Radio contributions	\$ 326,189	\$ 293,680
Employee contributions	\$ 170,258	\$ 154,327
Payroll covered under plan	\$ 3,650,436	\$ 3,303,794
Total payroll	\$ 3,763,057	\$ 3,443,788

Note 8--Commitments and Contingencies

Michigan Radio has entered into operating leases for space, which expire at various dates through 2024. Outstanding commitments for these leases are expected to be paid in the following years ended June 30:

2020	\$ 263,912
2021	267,413
2022	275,290
2023	59,014
2024	3,900
	\$ 869,529



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, 2019 and June 30, 2018 and for the years then ended and our report thereon appears on pages 1 and 2 of this document. That audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The 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 16, 2019

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**Schedule of Functional Expenses
For the Year Ended June 30, 2019**

	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	\$ 2,674,879	\$ 255,754	\$ 2,930,633	\$ 1,485,300	\$ 726,910	\$ 2,212,210	\$ 5,142,843
Program fees	1,573,681		1,573,681				1,573,681
Depreciation	52,457	6,520	58,977	23,535	12,701	36,236	95,213
Indirect administrative support	238,442	25,288	263,730	112,914	45,089	158,003	421,733
Professional services	225,242	56,717	281,959	276,368	43,574	319,942	601,901
Equipment and space rental	142,744	25,789	168,533	61,168	31,970	93,138	261,671
Advertising	9,370		9,370	130,418		130,418	139,788
Supplies	12,606	40,790	53,396	143,859	36,951	180,810	234,206
Travel and conferences	81,949	6,252	88,201	50,248	15,169	65,417	153,618
Telecommunications	24,990	41,516	66,506	11,294	30,701	41,995	108,501
Repairs and maintenance	364	15,308	15,672	36	16,694	16,730	32,402
Utilities	11,542	71,811	83,353	5,111	2,758	7,869	91,222
Postage and freight	51	1	52	30,728	71	30,799	30,851
Surveys and ratings	89,944		89,944	300		300	90,244
Merchant service fees				96,319		96,319	96,319
Memberships and dues	7,614		7,614	9,215	3,571	12,786	20,400
Other					6,909	6,909	6,909
Total Operating Expenses	\$ 5,145,875	\$ 545,746	\$ 5,691,621	\$ 2,436,813	\$ 973,068	\$ 3,409,881	\$ 9,101,502

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**Schedule of Functional Expenses
For the Year Ended June 30, 2018**

	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	\$ 2,379,698	\$ 260,406	\$ 2,640,104	\$ 1,328,868	\$ 694,002	\$ 2,022,870	\$ 4,662,974
Program fees	1,525,731		1,525,731			-	1,525,731
Depreciation	57,082	8,335	65,417	24,572	14,929	39,501	104,918
Indirect administrative support	200,746	24,898	225,644	91,869	40,619	132,488	358,132
Professional services	234,272	52,493	286,765	201,998	40,163	242,161	528,926
Equipment and space rental	144,882	27,165	172,047	60,241	35,706	95,947	267,994
Advertising	2,644		2,644	128,499		128,499	131,143
Supplies	14,549	45,649	60,198	128,340	55,992	184,332	244,530
Travel and conferences	64,605	5,105	69,710	39,787	13,544	53,331	123,041
Telecommunications	26,095	39,149	65,244	10,874	21,541	32,415	97,659
Repairs and maintenance	526	12,904	13,430	5,387	26,571	31,958	45,388
Utilities	10,441	111,812	122,253	4,442	2,699	7,141	129,394
Postage and freight	85	101	186	44,330	54	44,384	44,570
Surveys and ratings	62,845		62,845	150		150	62,995
Merchant service fees	9		9	99,606		99,606	99,615
Memberships and dues	16,898		16,898	750	2,806	3,556	20,454
Other			-		10,697	10,697	10,697
Total Operating Expenses	\$ 4,741,108	\$ 588,017	\$ 5,329,125	\$ 2,169,713	\$ 959,323	\$ 3,129,036	\$ 8,458,161