

WUMB-FM RADIO

**SPECIAL PURPOSE FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR 2015)**

WUMB-FM RADIO

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INDEPENDENT AUDITORS' REPORT

To the Audit Committee of the Board of Trustees of
The University of Massachusetts

Report on the Special Purpose Financial Statements

We have audited the accompanying special purpose financial statements of WUMB-FM Radio ("WUMB" or the "Station"), which comprise the special purpose statement of assets, liabilities and net assets as of June 30, 2016 and the related special purpose statement of revenues, expenses and changes in net assets, and cash flows for the year then ended, and the related notes to the special purpose financial statements.

Management's Responsibility for the Special Purpose Financial Statements

Management is responsible for the preparation and fair presentation of these special purpose financial statements in accordance with the basis of accounting described in Note 2; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of special purpose financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these special purpose 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 special purpose financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the special purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the special purpose 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 the entity'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 special purpose 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 special purpose financial statements referred to above present fairly, in all material respects, the financial position of WUMB as of June 30, 2016, and the results of its activities and changes in net assets and its cash flows for the years then ended, on the basis of accounting described in Note 2.

Other Matters

As described in Note 2, the accompanying special purpose financial statements have been prepared on the accrual basis of accounting in accordance with the reporting principles of not-for-profit accounting and were prepared for the purpose of complying with the Annual Financial Report requirements of the Corporation for Public Broadcasting. WUMB is a department of The University of Massachusetts. Due to the nature and significance of the transactions between WUMB and The University of Massachusetts, the Station's financial position, results of activities, changes in net assets and cash flows may not be indicative of the results which would have been attained if WUMB had operated independently of The University of Massachusetts. Our opinion is not modified with respect to these matters.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the special purpose financial statements as a whole. The Supplemental Schedule of Functional Expenses on page 20 is presented for purposes of additional analysis and is not a required part of the special purpose financial statements. Such supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the special purpose financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the special purpose financial statements and certain additional procedures, including comparing and reconciling such supplemental information directly to the underlying accounting and other records used to prepare the special purpose financial statements or to the special purpose financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in all material respects in relation to the special purpose financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Station's 2015 special purpose financial statements, and we expressed an unmodified opinion on those special purpose financial statements in our report dated November 5, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited special purpose financial statements from which it has been derived.

Marcus LLP

Boston, MA
November 8, 2016

WUMB-FM RADIO

SPECIAL PURPOSE STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS

JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	2016	2015
Assets		
Current Assets		
Unconditional promises to give, net	\$ 153,475	\$ 128,109
Due from the University of Massachusetts	1,209,248	1,099,709
Prepaid expenses - educational initiatives	<u>12,000</u>	<u>12,000</u>
Total Current Assets	1,374,723	1,239,818
Investments, at Fair Value	106,597	115,975
Property and Equipment, Net	<u>24,246</u>	<u>43,419</u>
Total Assets	<u>\$ 1,505,566</u>	<u>\$ 1,399,212</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ --	\$ 349
Accrued expenses	62,669	50,115
Accrued compensated absences	129,020	117,107
Deferred revenue - educational initiatives	214,285	208,010
Unexpended grants	<u>60,783</u>	<u>41,502</u>
Total Current Liabilities	466,757	417,083
Accrued Compensated Absences, Less Current Portion	<u>22,847</u>	<u>17,237</u>
Total Liabilities	<u>489,604</u>	<u>434,320</u>
Net Assets		
Unrestricted:		
Investment in property and equipment	24,246	43,419
Designated for long-term investment	79,775	89,231
Undesignated	<u>885,119</u>	<u>805,498</u>
Total unrestricted	989,140	938,148
Permanently restricted	<u>26,822</u>	<u>26,744</u>
Total Net Assets	<u>1,015,962</u>	<u>964,892</u>
Total Liabilities and Net Assets	<u>\$ 1,505,566</u>	<u>\$ 1,399,212</u>

The accompanying notes are an integral part of these special purpose financial statements.

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SPECIAL PURPOSE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

**FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR 2015)**

	2016			Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted	2016	2015
Revenue and Support					
University of Massachusetts:					
Indirect and in-kind support	\$ 510,973	\$ --	\$ --	\$ 510,973	\$ 481,947
General appropriations	461,161	--	--	461,161	404,806
Other support	32,814	--	--	32,814	27,693
Subscriptions and memberships	647,957	--	--	647,957	613,864
Educational initiatives	238,368	--	--	238,368	220,596
Grants	119,435	22,531	--	141,966	141,097
Public contributions	117,966	--	78	118,044	174,765
Special events, net of expenses \$33,080 and \$0, respectively	12,780	--	--	12,780	--
Investment (loss) income	(3,927)	--	--	(3,927)	1,415
Net realized and unrealized loss on investments	(5,529)	--	--	(5,529)	(6,242)
Net assets released from restrictions:					
Satisfaction of program restrictions	22,531	(22,531)	--	--	--
Total Revenue and Support	<u>2,154,529</u>	<u>--</u>	<u>78</u>	<u>2,154,607</u>	<u>2,059,941</u>
Expenses					
Program services:					
Programming and production	967,540	--	--	967,540	908,812
Broadcasting	456,323	--	--	456,323	422,671
Program information	71,329	--	--	71,329	58,936
Supporting services:					
General and administrative	224,110	--	--	224,110	207,012
Fundraising and grant solicitation	349,449	--	--	349,449	317,145
Underwriting	34,786	--	--	34,786	37,251
Total Expenses	<u>2,103,537</u>	<u>--</u>	<u>--</u>	<u>2,103,537</u>	<u>1,951,827</u>
Change in Net Assets	50,992	--	78	51,070	108,114
Net Assets, Beginning of Year	<u>938,148</u>	<u>--</u>	<u>26,744</u>	<u>964,892</u>	<u>856,778</u>
Net Assets, End of Year	<u>\$ 989,140</u>	<u>\$ --</u>	<u>\$ 26,822</u>	<u>\$ 1,015,962</u>	<u>\$ 964,892</u>

The accompanying notes are an integral part of these special purpose financial statements.

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SPECIAL PURPOSE STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	2016	2015
Cash Flows from Operating Activities		
Change in net assets	\$ 51,070	\$ 108,114
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	19,173	19,181
Net realized and unrealized loss on investments	5,529	6,242
Increase in unconditional promises to give, net	(25,366)	(25,811)
Increase in due from University of Massachusetts	(109,539)	(116,808)
Increase in prepaid expenses	--	(12,000)
Decrease in accounts payable	(349)	(114)
Increase in accrued expenses	30,077	13,321
Increase in deferred revenue - educational initiatives	6,275	25,748
Increase in unexpended grants	19,281	10,587
Net Cash (Used in) Provided by Operating Activities	<u>(3,849)</u>	<u>28,460</u>
Cash Flows from Investing Activities		
Proceeds from sales of investments	3,849	--
Purchases of investments	--	(1,493)
Purchases of equipment	--	(26,967)
Net Cash Provided by (Used in) Investing Activities	<u>3,849</u>	<u>(28,460)</u>
Net Increase (Decrease) in Cash	--	--
Cash, Beginning of Year	<u>--</u>	<u>--</u>
Cash, End of Year	<u>\$ --</u>	<u>\$ --</u>

The accompanying notes are an integral part of these special purpose financial statements.

WUMB-FM RADIO

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR 2015)**

NOTE 1 – NATURE OF THE ORGANIZATION

WUMB-FM Radio (“the Station”) is a network of eight non-commercial public broadcast radio stations that are licensed to, owned and operated by the University of Massachusetts (“UMass”). The Station’s studio facilities are located at the University of Massachusetts, Boston Campus, with transmitting facilities located in Quincy, Spencer, Falmouth, Orleans, Amesbury, Stow, and Marshfield, Massachusetts as well as in Milford, New Hampshire. The Station depends on the continuing support of UMass through the allocation of University and other funds for certain operating expenses.

Additionally, the Station receives funding in the form of grants from the Corporation for Public Broadcasting (“CPB”). The Station must meet certain criteria established by the CPB in order to qualify for this funding. The CPB amends its qualifying criteria on a periodic basis and it is never certain whether the Station will continue to qualify for funding in future periods. The risk of a funding reduction from the CPB has prompted the Station to escalate its efforts to increase other sources of revenue.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accompanying special purpose financial statements have been prepared on the accrual basis of accounting in accordance with the reporting principles of not-for-profit accounting, and were prepared for the purpose of complying with the Annual Financial Report requirements of the Corporation for Public Broadcasting. In addition, these special purpose financial statements are presented in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) with the exception that the Station is a department of the University and does not represent a separate legal entity for financial reporting purposes.

PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION

The special purpose financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Station’s special purpose financial statements for the year ended June 30, 2015, from which the summarized information was derived.

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NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SPECIAL PURPOSE FINANCIAL STATEMENT PRESENTATION

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Station and changes therein are classified and reported as follows:

UNRESTRICTED:

Unrestricted net assets include those assets that are not subject to donor-imposed stipulations.

TEMPORARILY RESTRICTED:

Temporarily restricted net assets are subject to donor-imposed restrictions that will be satisfied by the actions of the Station or the passage of time.

PERMANENTLY RESTRICTED:

Permanently restricted net assets are subject to donor-imposed stipulations that they be held in perpetuity.

DUE FROM THE UNIVERSITY OF MASSACHUSETTS

The financial policies of the University, a related party under which the Station operates, require that all cash be held centrally by UMass. Accordingly, cash available for use by the Station, as well as amounts to be reimbursed by UMass for accrued compensated absences and salaries, is reported within the Due from the University of Massachusetts balance on the accompanying special purpose statement of assets, liabilities and net assets.

DONATED PROPERTY AND EQUIPMENT

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Station reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Station reclassifies temporarily restricted net assets to unrestricted net assets at that time.

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NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENT VALUATION AND INCOME RECOGNITION

The Station's investments, stated at fair value, are held in a pooled investment account which is managed and invested by The University of Massachusetts Foundation (the "Foundation"). The pooled investment account is comprised of investments held for various entities which are sponsored by the Foundation. The fair value of the Station's share of the pooled investments is based on the percentage of units owned by the Station in relation to the total units available in the Foundation, times the fair value of the total investments maintained by the Foundation in the pooled investment account. The fair value of the pooled investment account is based upon the quoted market prices or other valuation estimates of the assets underlying the entire pooled investment portfolio.

Investment income and all realized and unrealized gains and losses are allocated among the various shareholders of the Foundation based on the percentage of each shareholder's investments to total investments maintained by the Foundation in the pooled investment account. The investment return is reflected in the accompanying special purpose statement of revenues, expenses and changes in net assets.

UNCONDITIONAL PROMISES TO GIVE, NET

Unconditional promises to give are stated at the amount management expects to collect from outstanding balances at year-end. The Station provides for probable uncollectible pledges through a charge to income and an adjustment to a valuation allowance based on its assessment of accounts whose collection is uncertain and projected cash collection within the next fiscal year. Accounts determined to be uncollectible are written off by reversing both the pledge receivable and allowance balances (see Note 4).

PROPERTY AND EQUIPMENT, NET

Purchases of property and equipment are recorded at cost. Maintenance and repairs are charged to expense as incurred. Depreciation is provided over the estimated useful lives of the respective assets (three to seven years) using the straight-line method. Moveable equipment with a unit cost (or value) of \$5,000 or greater is capitalized.

INTANGIBLE ASSETS – BROADCAST LICENSES

The Station follows ASC 350, Goodwill and Other Intangible Assets, to account for its broadcast licenses. The station has amortized the broadcast licenses over a period of seven years, which are fully amortized. Assets with finite lives are amortized over their respective useful life, while assets with infinite lives are assessed annually for impairment, rather than being amortized.

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NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016 (WITH COMPARATIVE TOTALS FOR 2015)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEFERRED REVENUE – EDUCATIONAL INITIATIVES

Payments received by the Station from participants in the educational initiatives program are deferred until such time that the program is completed.

REVENUE RECOGNITION

Indirect and in-kind support, which represents the value of facilities and services provided, are recorded as revenue when received using certain allocation rates, which approximate fair value, as set by the United States Department of Health and Human Services. The general appropriation from UMass is recorded as revenue as appropriated funds are spent.

CONTRIBUTIONS

The Station accounts for contributions received as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of revenues, expenses and changes in net assets as net assets released from restrictions.

INCOME TAXES

The Station is a component unit of UMass, which is a component unit of the Commonwealth of Massachusetts, and is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code. Therefore, no provision for federal and state income taxes has been included in these special purpose financial statements.

USE OF ESTIMATES

In preparing the accompanying special purpose financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and reported amounts of revenues and expenses during the reporting period. These estimates and assumptions involve the areas of estimated useful lives of property and equipment, amortization period of intangibles, and accrued compensated absences, among others. Actual results could differ from those estimates.

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NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016 (WITH COMPARATIVE TOTALS FOR 2015)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities of the Station have been summarized on a functional basis in the special purpose statement of revenues, expenses and changes in net assets and in the supplemental schedule of functional expenses for the year ended June 30, 2016. Accordingly, certain costs have been allocated between programs and supporting services benefited.

SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 8, 2016, which is the date the special purpose financial statements were available to be issued.

NOTE 3 - INVESTMENTS

The Station has the option to contribute to a perpetual trust administered by the Foundation. The Commonwealth of Massachusetts matches 50% of the contribution made by the Station. Under the terms of the Trust, the Station has the irrevocable right to receive the income earned on the Trust assets in perpetuity.

Investments are carried at fair value, and consist of the following at June 30:

	Fair Value	Cost	Unrealized Appreciation
Pooled investments:			
June 30, 2016	<u>\$ 106,597</u>	<u>\$ 94,733</u>	<u>\$ 11,864</u>
June 30, 2015	<u>\$ 115,975</u>	<u>\$ 98,582</u>	<u>\$ 17,393</u>

Investments, in general, are exposed to various risks such as interest rate, credit and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the special purpose financial statements.

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NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016 (WITH COMPARATIVE TOTALS FOR 2015)

NOTE 3 – INVESTMENTS (CONTINUED)

Investment returns for the years ended June 30 are summarized as follows:

	2016	2015
Investment (loss) income	\$ (3,927)	\$ 1,415
Net realized and unrealized loss on investments	<u>(5,529)</u>	<u>(6,242)</u>
	<u>\$ (9,456)</u>	<u>\$ (4,827)</u>

NOTE 4 - UNCONDITIONAL PROMISES TO GIVE, NET

Unconditional promises to give represent pledges receivable and are recorded at the aggregate unpaid balance less an allowance for doubtful accounts. Pledges receivable, net consisted of the following at June 30:

	2016	2015
Amounts due:		
Within one year	<u>\$ 171,808</u>	<u>\$ 139,990</u>
Total unconditional promises to give	171,808	139,990
Less allowance for doubtful accounts	<u>(18,333)</u>	<u>(11,881)</u>
Unconditional promises to give, net	<u>\$ 153,475</u>	<u>\$ 128,109</u>

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NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016 (WITH COMPARATIVE TOTALS FOR 2015)

NOTE 5 - PROPERTY AND EQUIPMENT, NET

A summary of property and equipment at June 30 is as follows:

	2016	2015
Broadcast equipment	\$ 578,016	\$ 578,016
Studio and production equipment	219,127	219,127
Office furniture and fixtures	21,223	21,223
Vehicle	<u>3,950</u>	<u>3,950</u>
Total property and equipment	822,316	822,316
Less: accumulated depreciation	<u>(798,070)</u>	<u>(778,897)</u>
Property and equipment, net	<u>\$ 24,246</u>	<u>\$ 43,419</u>

Depreciation expense for the years ended June 30, 2016 and 2015 amounted to \$19,173 and \$19,181, respectively.

NOTE 6 - BROADCAST LICENSES

The Station holds eight broadcast licenses; WUMB-FM, WBPR-FM, WFPB-FM, WFPB-AM, WNEF-FM, WUMG-FM, and WUMT-FM in Quincy, Spencer, Falmouth, Orleans, Amesbury, Stow, and Marshfield, Massachusetts, respectively, as well as WUMV-FM in Milford, New Hampshire. There are currently no plans to transfer or sell any of the eight licenses. The cost of these licenses was \$233,000 which has been fully amortized.

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NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

NOTE 7 - RELATED PARTY TRANSACTIONS

The Station received support from UMass for the years ended June 30 consisting of:

	2016	2015
Indirect and in-kind support:		
Indirect	\$ 504,384	\$ 462,951
In-kind	<u>6,589</u>	<u>18,996</u>
Total indirect and in-kind support	510,973	481,947
Other support	<u>32,814</u>	<u>27,693</u>
Total indirect, in-kind and other support	<u>543,787</u>	<u>509,640</u>
General appropriations:		
General appropriations	357,945	317,190
Fringe benefits	<u>103,216</u>	<u>87,616</u>
Total general appropriations	<u>461,161</u>	<u>404,806</u>
Total support from UMass	<u>\$ 1,004,948</u>	<u>\$ 914,446</u>

During the years ended June 30, 2016 and 2015, the Station received \$32,814 and \$27,693, respectively, of General Operation Funds from UMass in exchange for advertising various University events, which has been classified as other support.

NOTE 8 - PENSION PLAN

Full-time employees of the Station earn retirement benefits under the Commonwealth of Massachusetts Retirement System. Total pension costs for the years ended June 30, 2016 and 2015 totaled \$52,466 and \$54,970, respectively. For information on the Commonwealth of Massachusetts Retirement System, see the Comprehensive Annual Financial Report of the Commonwealth of Massachusetts.

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NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016 (WITH COMPARATIVE TOTALS FOR 2015)

NOTE 9 - FAIR VALUE MEASUREMENTS

The investments are included in the University's pooled investments of the Foundation. The Foundation consists of a variety of investments, including money market funds, fixed income funds, international funds, REITS and alternative investments. The Station has total investments held by the Foundation with a fair value of \$106,597 and \$115,975 as of June 30, 2016 and 2015, respectively. The fair value is determined based on the Foundation's unit value at June 30, 2016 and 2015 multiplied by the total units allocated to the Station. The Station's investment in the Foundation is included in Level 3 and consists of a trust with marketable underlying investments; however, the Station's share of the Foundation is not marketable.

FAIR VALUE HIERARCHY

The Station uses a fair value hierarchy established by accounting principles generally accepted in the United States of America that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1** Valuation is based on quoted market prices in active markets for identical assets that the Station has the ability to access at the measurement date.
- Level 2** Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. The valuation must be based on quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset.
- Level 3** Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level of input that is significant to the fair value measurement in its entirety.

The following is a description of the valuation methodology used for assets measured at fair value on a recurring basis. There have been no changes in the methodology used during the years ended June 30, 2016 or 2015.

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NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016 (WITH COMPARATIVE TOTALS FOR 2015)

NOTE 9 - FAIR VALUE MEASUREMENTS (CONTINUED)

FAIR VALUE HIERARCHY (CONTINUED)

Pooled Investments: Pooled investments represent the Station's beneficial interest in the accounts managed and invested by the Foundation. Pooled investments are valued at fair value of the entire pool's underlying investments as reported by the Foundation. For the majority of the underlying investments, fair value is based upon information reported by third party pricing vendors. In those instances where the underlying investment does not have a readily available fair market value, then the Foundation has estimated that fair value with other valuation estimates. As this beneficial interest is not an ownership of actual securities and is not readily marketable, the investment is classified as Level 3.

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS

Fair values of assets measured on a recurring basis at June 30 are as follows:

	Fair Value Measurements at Reporting Date Using			
	Fair Value	Level 1	Level 2	Level 3
<u>As of June 30, 2016</u>				
Pooled investments	<u>\$ 106,597</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 106,597</u>
<u>As of June 30, 2015</u>				
Pooled investments	<u>\$ 115,975</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 115,975</u>

The Station recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels during the years ended June 30, 2016 and 2015. There were no liabilities measured on a recurring basis at June 30, 2016 and 2015.

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NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016 (WITH COMPARATIVE TOTALS FOR 2015)

NOTE 9 - FAIR VALUE MEASUREMENTS (CONTINUED)

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS (CONTINUED)

The following table sets forth a summary of the changes in fair values of the Station's Level 3 assets for the years ended June 30:

	2016	2015
Balance, beginning of year	\$ 115,975	\$ 120,724
Total realized and unrealized losses included in statement of revenues, expenses and changes in net assets	(5,529)	(6,242)
Investment (loss) income	(3,927)	1,415
Contributions	<u>78</u>	<u>78</u>
Balance, end of year	<u>\$ 106,597</u>	<u>\$ 115,975</u>

The changes in the table above are reflected in the special purpose statement of revenues, expenses and changes in net assets.

NOTE 10 - RESTRICTIONS ON NET ASSETS

Permanently restricted net assets represent donor's permanently restricted contributions, which require that the principal be retained in perpetuity; only the income may be used for general support purposes. Permanently restricted net assets consist of the following as of June 30:

	2016	2015
Permanent endowment	<u>\$ 26,822</u>	<u>\$ 26,744</u>

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NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

NOTE 11 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor imposed restrictions by incurring expenses satisfying the following restricted purposes during the years ended June 30:

	2016	2015
Program support	<u>\$ 22,531</u>	<u>\$ 34,428</u>

NOTE 12 - ENDOWMENT

The Station's endowment consists of one fund established for long-term investment, and includes funds designated by the Board of Directors to function as an endowment. The funds are invested in a pooled fund that is managed by the Foundation. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law:

The Board of Directors of the Station has interpreted the Massachusetts Prudent Management of Institutional Funds Act (MA PMIFA) as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Station classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Station in a manner consistent with the standard of prudence prescribed by the MA PMIFA.

In accordance with the MA PMIFA, the Station considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Corporation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments

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NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016 (WITH COMPARATIVE TOTALS FOR 2015)

NOTE 12 – ENDOWMENT (CONTINUED)

- (6) Other resources of the Corporation
- (7) The investment policies of the Corporation

Endowment net asset composition by fund type as of June 30, 2016 is as follows:

	Board Designated - Unrestricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ --	\$ 26,822	\$ 26,822
Designated for long-term investment	<u>79,775</u>	<u>--</u>	<u>79,775</u>
Total funds	<u>\$ 79,775</u>	<u>\$ 26,822</u>	<u>\$ 106,597</u>

Changes in endowment net assets for the year ended June 30, 2016 are as follows:

	Board Designated - Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 89,231	\$ 26,744	\$ 115,975
Contributions to endowment	--	78	78
Investment return	<u>(9,456)</u>	<u>--</u>	<u>(9,456)</u>
Endowment net assets, end of year	<u>\$ 79,775</u>	<u>\$ 26,822</u>	<u>\$ 106,597</u>

Endowment net asset composition by fund type as of June 30, 2015 is as follows:

	Board Designated - Unrestricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ --	\$ 26,744	\$ 26,744
Designated for long-term investment	<u>89,231</u>	<u>--</u>	<u>89,231</u>
Total funds	<u>\$ 89,231</u>	<u>\$ 26,744</u>	<u>\$ 115,975</u>

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NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016 (WITH COMPARATIVE TOTALS FOR 2015)

NOTE 12 – ENDOWMENT (CONTINUED)

Changes in endowment net assets for the year ended June 30, 2015 are as follows:

	Board Designated - Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 94,058	\$ 26,666	\$ 120,724
Contributions to endowment	--	78	78
Investment return	<u>(4,827)</u>	<u>--</u>	<u>(4,827)</u>
Endowment net assets, end of year	<u>\$ 89,231</u>	<u>\$ 26,744</u>	<u>\$ 115,975</u>

Return Objectives, Risk Parameters and Strategies: The Station has this endowment managed by the Foundation in a pooled investment fund. The Station follows the Foundation's endowment investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while assuming a moderate level of risk.

Spending Policy: The Station follows UMass' spending policy related to this endowment.

NOTE 13 – COMMITMENTS

On May 1, 2013, the Station entered into a license agreement for the use of an antenna site. The lease is in effect for ten years and the Station will pay \$500 for the first year and then the annual monthly fee shall increase by 3% of the previous year's monthly fee. The agreement allows the Station to extend the agreement for three additional five year terms.

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SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES

**FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR 2015)**

	Program Services			Supporting Services			Totals	
	Programming and Production	Broadcasting	Program Information	General and Administrative	Fundraising and Grant Solicitation	Underwriting	2016	2015
Salaries	\$ 379,855	\$ 128,683	\$ 16,360	\$ 74,373	\$ 99,937	\$ 17,269	\$ 716,477	\$ 644,247
Fringe benefits	83,789	29,525	3,900	21,213	27,406	5,037	170,870	153,045
Indirect and in-kind costs from the University of Massachusetts	217,203	111,472	18,492	61,486	93,076	9,244	510,973	481,947
Professional services	44,974	17,917	--	43,650	9,000	--	115,541	98,033
Advertising and promotion	12,589	--	23,900	--	22,645	--	59,134	73,000
Depreciation and amortization	--	19,173	--	--	--	--	19,173	19,181
Postage	2,224	1,112	4,447	2,224	11,118	1,112	22,237	17,491
Telephone	7,904	16,525	1,976	3,952	7,903	1,976	40,236	37,180
Travel	22,608	3,053	219	675	1,364	--	27,919	19,463
Dues and subscriptions	34,557	35,967	--	1,588	7,493	--	79,605	83,222
Supplies	4,197	--	--	9,391	23,467	--	37,055	44,036
License and fees	4,016	1,424	--	--	30,062	--	35,502	28,342
Utilities	--	23,468	--	--	--	--	23,468	23,476
Repairs and maintenance	--	7,047	--	--	--	--	7,047	4,812
Facility rental expense	113,494	41,522	--	--	2,469	--	157,485	150,052
Administrative overhead - UMass	40,130	19,435	2,035	5,558	13,509	148	80,815	74,300
	<u>\$ 967,540</u>	<u>\$ 456,323</u>	<u>\$ 71,329</u>	<u>\$ 224,110</u>	<u>\$ 349,449</u>	<u>\$ 34,786</u>	<u>\$ 2,103,537</u>	<u>\$ 1,951,827</u>

See independent auditors' report.