



CONSOLIDATED
FINANCIAL REPORT
June 30, 2014

American Public Media Group and Affiliates



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Independent Auditor's Report

To the Board of Trustees
American Public Media Group and Affiliates
St. Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of American Public Media Group and Affiliates (the Organization), which comprise the consolidated statement of financial position as of June 30, 2014; the related consolidated statements of activities and cash flows for the year then ended; and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Public Media Group and Affiliates as of June 30, 2014, and the changes in their net assets, and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2013 consolidated financial statements and supplementary information, and we expressed an unmodified audit opinion and in-relation-to opinion on those audited consolidated financial statements and supplementary information, respectively, in our report dated October 17, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited consolidated financial statements and related supplementary information from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplemental information by entity and by fund on pages 23 and 24 is presented for the purpose of additional analysis of the consolidated financial statements, rather than to present information regarding the financial position and the results of operations of the individual entities and funds, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements, or to the consolidated 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 consolidated financial statements taken as a whole.



Minneapolis, Minnesota
October 14, 2014

American Public Media Group and Affiliates

Consolidated Statement of Activities

Year Ended June 30, 2014, With Comparative Totals for the Year Ended June 30, 2013

(In Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Consolidated Totals	
				2014	2013
Support from public:					
Individual gifts and membership	\$ 31,395	\$ 5,060	\$ 286	\$ 36,741	\$ 33,157
Individual gifts and membership—released from restriction (rfr)	4,180	(4,180)	-	-	-
Regional underwriting	19,508	46	-	19,554	16,300
Regional underwriting—rfr	74	(74)	-	-	-
National underwriting	13,641	-	-	13,641	10,258
National underwriting—rfr	-	-	-	-	-
Business general support	415	1,197	-	1,612	1,025
Business general support—rfr	815	(815)	-	-	-
Foundations	3	8,335	-	8,338	5,753
Foundations—rfr	7,412	(7,412)	-	-	-
Educational sponsors	477	-	-	477	454
Other public support	110	83	-	193	937
Other public support—rfr	532	(532)	-	-	-
Total support from public	78,562	1,708	286	80,556	67,884
Support from governmental agencies:					
Corporation for Public Broadcasting	-	7,313	-	7,313	7,731
Corporation for Public Broadcasting—rfr	7,717	(7,717)	-	-	-
Grants from other governmental agencies	378	179	-	557	5,408
Grants from other governmental agencies—rfr	2,070	(2,070)	-	-	-
Total support from governmental agencies	10,165	(2,295)	-	7,870	13,139
Earned revenue:					
Revenue from operating activities	23,548	-	-	23,548	21,277
Royalties and licensing fees	1,009	-	-	1,009	1,355
Investment return, net (Note 5)	27,361	3,123	321	30,805	19,899
Product sales and other earned revenue	8,325	-	-	8,325	13,305
Contractual settlement (Note 14)	-	-	-	-	11,296
Total earned revenue	60,243	3,123	321	63,687	67,132
Total support and earned revenue	148,970	2,536	607	152,113	148,155
Expenses:					
Cost of goods sold	2,579	-	-	2,579	4,470
Operations	100,083	-	-	100,083	98,202
Selling, general and administrative	10,867	-	-	10,867	12,578
Fundraising	17,957	-	-	17,957	16,057
Impairment loss on broadcast license	-	-	-	-	3,324
Total expenses	131,486	-	-	131,486	134,631
Change in net assets	17,484	2,536	607	20,627	13,524
Net assets—beginning of year	192,734	25,417	14,034	232,185	218,661
Net assets—end of year	\$ 210,218	\$ 27,953	\$ 14,641	\$ 252,812	\$ 232,185

See Notes to Consolidated Financial Statements.

American Public Media Group and Affiliates

Consolidated Statement of Financial Position June 30, 2014, With Comparative Totals as of June 30, 2013 (In Thousands)

Assets	2014	2013
Current Assets		
Cash and cash equivalents	\$ 8,170	\$ 14,340
Trade receivables, net (Note 4)	18,047	18,691
Pledges receivable, net (Note 4)	419	418
Grants receivable, net (Note 4)	7,278	9,345
Other current assets	6,305	5,758
Total current assets	40,219	48,552
Property and Equipment, net (Note 7)	63,484	65,539
Other Assets		
Investments (Notes 3 and 5)	167,994	144,805
Endowment funds held by others and beneficial interest in trust (Notes 2 and 3)	30,473	26,307
Trade receivables, net (Note 4)	5	6
Pledges receivable, net (Note 4)	803	1,417
Grants receivable, net (Note 4)	3,323	3,029
Deferred income taxes	129	206
Broadcast licenses not subject to amortization (Note 8)	44,276	44,202
Intangible assets subject to amortization, net (Note 8)	12	84
Other long-term assets	925	953
Total other assets	247,940	221,009
Total assets	\$ 351,643	\$ 335,100
Liabilities and Net Assets		
Current Liabilities		
Trade payable	\$ 3,765	\$ 3,908
Current portion of long-term obligations, net (Note 9)	7,378	2,784
Accrued liabilities	8,583	8,956
Refundable advance	-	475
Deferred revenue	8,281	7,387
Total current liabilities	28,007	23,510
Other Liabilities		
Long-term obligations, less current portion, net (Note 9)	51,175	58,549
Interest rate swap (Notes 2 and 3)	1,851	2,253
Deferred revenue, less current portion (Note 13)	17,798	18,603
Total liabilities	98,831	102,915
Commitments and Contingencies (Notes 9, 10, 11 and 12)		
Net Assets		
Unrestricted	210,218	192,734
Temporarily restricted	27,953	25,417
Permanently restricted	14,641	14,034
Total net assets	252,812	232,185
Total liabilities and net assets	\$ 351,643	\$ 335,100

See Notes to Consolidated Financial Statements.

American Public Media Group and Affiliates

Consolidated Statement of Cash Flows Year Ended June 30, 2014, With Comparative Totals for the Year Ended June 30, 2013 (In Thousands)

	2014	2013
Cash Flows From Operating Activities		
Change in net assets	\$ 20,627	\$ 13,524
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	5,996	6,124
Unrealized gains	(16,435)	(10,008)
Increase in endowment funds held by others and beneficial interest in trust	(4,166)	(2,441)
Gain on disposal of property and equipment	-	(736)
Contributions and grants restricted for capital projects and permanent endowments	(953)	(1,303)
Loan forgiveness—City of Saint Paul	(294)	(276)
Impairment loss on broadcast license and other intangibles	-	3,406
Deferred income taxes	77	14
(Increase) decrease in assets:		
Trade and pledges receivable, net	(22)	762
Grants receivable, net	1,620	(835)
Other assets	(692)	429
(Decrease) increase in liabilities:		
Trade payable and accrued liabilities	(473)	1,587
Refundable advance	(475)	(156)
Deferred revenue	332	(200)
Total adjustments	(15,485)	(3,633)
Net cash provided by operating activities	5,142	9,891
Cash Flows From Investing Activities		
Purchase of property and equipment	(3,966)	(4,042)
Purchases of investments	(12,407)	(15,767)
Proceeds from sale of assets	663	869
Proceeds from sales and maturities of investments	5,251	10,042
Purchase of broadcast license	(74)	-
Net cash used in investing activities	(10,533)	(8,898)
Cash Flows From Financing Activities		
Borrowing on long-term obligations	-	4,200
Payments on line of credit, net	-	(3,600)
Principal payments on long-term obligations	(2,448)	(2,682)
Debt issue costs	-	(107)
Receipts of contributions and grants restricted for capital projects and permanent endowments	1,669	2,788
Net cash (used in) provided by financing activities	(779)	599
Net change in cash and cash equivalents	(6,170)	1,592
Cash and Cash Equivalents—beginning of year	14,340	12,748
Cash and Cash Equivalents—end of year	\$ 8,170	\$ 14,340
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for interest	\$ 801	\$ 861
Supplemental Disclosures of Noncash Operating and Investing Activities		
Additions to net property, plant and equipment funded through trade payable	\$ 126	\$ 35

See Notes to Consolidated Financial Statements.

American Public Media Group and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Business

American Public Media Group (APMG) is a not-for-profit parent support organization whose primary purpose is to provide financial and management support services to its affiliated organizations, including Minnesota Public Radio and affiliate (MPR), Southern California Public Radio (SCPR), Classical South Florida (CSF) and Clearspring Holdings Inc and affiliate (Clearspring). APMG and its affiliates (the Organization) are engaged in various public radio, digital media, theater rental, consumer shows, events, and other ancillary activities. APMG also operates Pretty Good Goods, by which APMG sells program-related and psychologically related goods to consumers.

APMG has the ability to elect or approve the election of a majority of the MPR Board of Trustees and all of the SCPR and CSF Boards of Trustees. MPR, in turn, is the not-for-profit parent organization of The Fitzgerald Theater Company (FTC) and has the ability to elect FTC's Board of Trustees. MPR operates its regional program production and broadcasting activities under the name "Minnesota Public Radio" and its national program production and distribution activities under the name "American Public Media."

APMG owns all of the stock of Clearspring, a for-profit holding company. Clearspring has a wholly owned, for-profit subsidiary, Clearspring Enterprises Inc (CEI), which was engaged in publishing activities and hosting consumer shows and events.

Collectively, MPR, FTC, SCPR, CSF, Clearspring and CEI are referred to as the affiliated organizations or affiliates.

APMG owns WKCP (89.7 FM), serving South Florida's Miami-Dade and Broward counties, and W270AD, an FM translator station in West Palm Beach, and other broadcasting equipment (together, the station). APMG created CSF to fulfill its programming, operational and financial responsibilities for the station. CSF entered into a public service operating agreement (PSOA) with APMG, assuming responsibility for the day-to-day operations of the station, including maintaining APMG's good standing as the FCC licensee. Under the PSOA, APMG assigned certain broadcasting equipment for the station to CSF and retained certain other equipment to lease to CSF. Under the PSOA, CSF has the opportunity to solicit donations and underwriting for the station and agrees to pay for and utilize certain shared services from APMG and other affiliates of APMG, such as management, human resources, finance, legal, fundraising, technical and programming services.

CSF is the licensee of the noncommercial radio station WPBI (90.7 FM), serving West Palm Beach, Florida, and the noncommercial radio station WNPS (88.7 FM), serving Fort Meyers and Naples, Florida.

Note 2. Summary of Significant Accounting Policies

Basis of financial statement presentation: These consolidated financial statements include the accounts of the Organization. All intercompany accounts and transactions have been eliminated upon consolidation.

Net assets, support, and certain gains and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted: This classification contains net assets that are not subject to donor-imposed restrictions and are available for general support of the Organization.

American Public Media Group and Affiliates

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

APMG and its not-for-profit affiliates maintain the following unrestricted funds (see the APMG supplemental schedules):

Operating Fund: To account for general-purpose contributions, grants, and other revenues and to account for revenues and expenses associated with the day-to-day operations of the Organization.

Property Fund: To acquire and account for all land, buildings, building improvements, equipment, and broadcast licenses and other intangibles owned by the Organization.

Designated Fund: To account for funds intended to ensure the long-term financial health of the Organization. This includes the Earned Endowment for MPR (a quasi-endowment fund) and funds for future investments and APMG's investment in ClearSpring. Certain financial assets in the Designated Fund—unrestricted are available to the Operating Fund for cash flow needs.

Temporarily restricted: This classification includes net assets subject to donor-imposed restrictions. The restrictions are satisfied either by the passage of time or by actions of the Organization. When a donor 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 consolidated statement of activities as support released from restriction. For example, when a donor specifies their contribution is to support the Organization for a three-year period, the Organization recognizes all the future support as temporarily restricted in the year the contribution is first made; the Organization then releases (reclassifies from temporarily restricted net assets) the contribution as unrestricted support over each of the three years specified by the donor.

Temporarily restricted net assets at June 30, 2014, were restricted for the following purposes:

American Public Media Group and Affiliates	\$ 13,533,000
Capital campaigns and capital projects	1,059,000
Undistributed earnings on endowments	13,361,000
Total	<u>\$ 27,953,000</u>

Permanently restricted: This classification includes net assets subject to donor-imposed restrictions that stipulate the resources be maintained in perpetuity, but permit the Organization to use or expend the income received from the donated assets for operating purposes. Permanently restricted net assets at June 30, 2014, consisted of the following:

Endowment funds held by others	\$ 9,974,000
Beneficial interest in trust	3,130,000
Donor-restricted endowment funds	1,537,000
Total	<u>\$ 14,641,000</u>

Basis of accounting: The consolidated financial statements of the Organization are prepared on the accrual basis of accounting.

American Public Media Group and Affiliates

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Summarized financial information for the year ended June 30, 2013: The consolidated financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2013, from which the summarized information was derived. The Organization's financial statements for the prior year are available on its website. In the prior-year summarized comparative information, \$3,165,000 was reclassified, which decreased cash and cash equivalents and increased investments, to be consistent with the presentation in the current-year financial statements. These classifications had no impact on changes in net assets as previously presented.

Revenue recognition:

Support from public and governmental agencies: The Organization receives unconditional promises and gifts of cash and other assets (support) from the public, including individuals, members, businesses, foundations, educational sponsors and others; and from governmental agencies (donors). Support is reported at fair value on the date it is received. To the extent support includes a donor-imposed restriction, the support is reported as temporarily or permanently restricted, as described earlier in Note 2. When the donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted support is reclassified as unrestricted support and reported in the consolidated statement of activities as support released from restriction.

The Organization receives support from the underwriters of its programming (underwriting), which are thanked with on-air and Web messages (spots). Underwriting is recognized as unrestricted support as the spots are run. The Organization also receives goods and services (barter assets) from its underwriters. Barter expense is recorded when the goods are used or the services are received. During the year ended June 30, 2014, barter revenue of \$3,458,000 and barter expense of \$3,433,000 are reflected in the consolidated statement of activities. To the extent cash or barter assets (support) are received before the spots are run, the support is reported as deferred revenue in the consolidated statement of financial position.

Operating activities: The Organization recognizes revenue from three primary activities: carriage fees, satellite fees and ticket sales. Carriage fees and satellite fees are earned when content is provided to subscribing broadcasters. Revenue from ticket sales is earned when a live event occurs.

Royalties and licensing fees: The Organization recognizes revenue from royalties and licensing fees for the use of its intellectual property. Revenue is recognized as earned based on contractual agreements or when its intellectual property is made available for use.

Investment return: Interest and dividend income is recorded when earned. Realized gains and losses are recorded when the investments are sold. Unrealized gains and losses represent the change in fair value between reporting periods.

Product sales and other earned revenue: The Organization recognizes revenue from product sales, rental income and other service fees. The Organization recognizes revenue from product sales, rental income and other service fees when the service is performed or when the product is provided.

Cash and cash equivalents: Cash and cash equivalents represent cash on hand and cash invested in short-term instruments with original maturities of three months or less. The Organization maintains its cash in bank deposit accounts and money market funds that may at times exceed federally insured limits. The Organization has not experienced any losses on such accounts.

American Public Media Group and Affiliates

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Investments: Investments are stated at fair value. As defined in *FASB Accounting Standards Codification* (ASC) Topic 820, Fair Value Measurements and Disclosures, fair value is the price that would be received to sell the asset or paid to transfer the liability (an exit price). Money market funds and cash that the Organization intends to utilize for long-term projects are recorded as long-term assets.

Endowment funds held by others: MPR has Board-designated and donor-restricted endowment funds (the Fund) invested at the Minnesota Community Foundation (MCF). Under the terms of the agreement establishing the Fund, the Organization received a minimum annual distribution of 5 percent for the year ended June 30, 2014, of the 16-quarter moving average market value of the Fund's assets. The Fund is managed at the discretion of MCF, except that MPR may direct MCF to replace any investment manager if the Fund does not produce a reasonable return. Distributions are unrestricted and are included in investment return, net, in the consolidated statement of activities.

SCPR has endowment funds at the California Community Foundation (the Endowment). These include contributions subject to donor-imposed restrictions that stipulate the resources be maintained permanently and contributions that are Board-designated. SCPR currently does not receive a draw from the Endowment; rather, SCPR has elected to reinvest all investment returns. As a result, no funds have been distributed.

Endowment funds held by others are stated at fair value. Because MPR and SCPR retained variance power but are unable to set the spending rates on these funds, the funds are not endowment funds as defined by the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), as enacted in each organization's applicable state.

Beneficial interest in trust: The Oakleaf Endowment Trust for MPR (the Trust) was established by private donors on June 30, 1997, to maintain and enhance the quality of MPR. An annual distribution is made to MPR based on a formula specified in the Trust that is intended to ensure that payments to MPR from all of its permanent endowments do not exceed their earnings above inflation, but which may not be less than 1.0 percent of the fair market value of the Trust as of the end of the preceding year. Okabena Company manages the assets of the Trust. The beneficial interest in trust is stated at fair value. Changes in fair value are recorded in permanently restricted net assets. Distributions are unrestricted and are included in investment return, net, in the consolidated statement of activities.

Net property and equipment: Property and equipment are recorded at cost, and depreciation is computed on the straight-line method over the estimated useful lives of the related assets, as follows:

	<u>Years</u>
Building	32–45
Equipment	3–20

Leasehold improvements are amortized over the shorter of the lease term or 32 years.

American Public Media Group and Affiliates

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Intangible assets: Intangible assets are recorded at cost. Finite-life intangible assets are amortized over their estimated useful lives of five to 15 years using the straight-line method.

Impairment analysis of broadcast licenses not subject to amortization: Broadcast licenses are considered indefinite-lived intangibles and are tested annually on June 30 for impairment, or more frequently if an event occurs or circumstances change that would indicate an impairment in accordance with ASC Topic 350, Intangibles—Goodwill and Other. The unit of accounting used to test broadcast licenses includes all licenses owned and operated within an individual market, as such licenses are used together, are complementary to each other, and are representative of the best use of those assets.

In July 2012, the Financial Accounting Standards Board (FASB) issued guidance to amend and simplify the rules related to testing indefinite-lived intangible assets for impairment. The revised guidance permits an entity to first assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances, an entity concludes that it is not more likely than not that the indefinite-lived intangible asset is impaired, then the entity is not required to take further action. However, if an entity concludes otherwise, then it is required to determine the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test by comparing the fair value with the carrying amount in accordance with current guidance. These amendments are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. The adoption of this guidance did not have a material effect on the Organization's consolidated financial statements.

Impairment analysis of intangible assets subject to amortization and other long-lived assets: Other long-lived assets, such as property and equipment and finite-life intangible assets, are evaluated for impairment whenever events or changes in circumstances indicate the carrying value of an asset group may not be recoverable. In evaluating recoverability, the following factors, among others, are considered: a significant change in the circumstances used to determine the amortization period, an adverse change in legal factors or in the business climate, a transition to a new product or service strategy, a significant change in customer base, and a realization of failed marketing efforts. The recoverability of an asset group is measured by a comparison of the carrying amount of the asset group to future undiscounted cash flows.

If the carrying amount was estimated to be unrecoverable, the Organization would recognize an impairment charge necessary to reduce the carrying amount to fair value. The amount of such impairment would be charged to operations in the current period. The Organization concluded its other long-lived assets were not impaired, and no impairment was recorded for the year ended June 30, 2014.

Other assets: Other assets include barter assets, debt issuance costs and prepaid expenses. Barter assets are initially recorded at fair market value and expensed as goods and services are used or received. Debt issuance costs include costs incurred in connection with the issuance of the variable-rate demand revenue bonds: MPR Series 2002, SCPR Series 2005, MPR Series 2005-7 and APMG Series 2008; and fixed-rate bonds: MPR Series 2010 and CSF Series 2011 and 2012 (see Note 9). Bond issue costs are recorded at historical cost and expensed over the life of the bonds using the straight-line method, which approximates the effective-interest method.

Cost of goods sold: Cost of goods sold includes product cost, production cost, postage, and fees paid to freelance writers and photographers in connection with the Organization's product sales and publishing activities.

American Public Media Group and Affiliates

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Allocation of expenses: The Organization's costs of providing its various services have been classified on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among operations; selling, general and administrative; and fundraising functions. Expenses are charged directly to these functional areas where possible. Remaining expenses are allocated using the best available method, primarily people count.

Income tax status: APMG, MPR, FTC and SCPR are organized under Chapter 317 of Minnesota Statutes as not-for-profit organizations. CSF is incorporated as a not-for-profit corporation under Florida Statute Chapter 617. The Internal Revenue Service (IRS) has determined that APMG is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the Code) and is not a private foundation, as it qualifies under Section 509(a)(3) of the Code. The IRS has determined that MPR, SCPR and CSF are tax-exempt organizations under Section 501(c)(3) of the Code and are not private foundations, as they qualify under Section 509(a)(1) as organizations defined under Section 170(b)(1)(A)(vi) of the Code. The IRS has determined that FTC is a tax-exempt organization under Section 501(c)(3) of the Code and is not a private foundation, as it qualifies under Section 509(a)(2) of the Code. The Minnesota Department of Revenue has determined that APMG, MPR, FTC and SCPR are exempt from Minnesota income taxes under Section 290.05 Subdivision 9 of Minnesota Statutes. The State of California Franchise Tax Board has determined that SCPR is exempt from California franchise or income taxes under Section 2370(1)(d) of the California Code. The Florida Department of State has determined CSF is exempt from state income tax under Florida Statute Section 220.13(2)(h). Clearspring is a wholly owned, taxable, for-profit subsidiary of APMG. APMG and its not-for-profit affiliates are engaged in certain activities that result in taxable unrelated business income. APMG and its not-for-profit affiliates recorded a tax benefit of \$121,000 for the year ended June 30, 2014, which is included in selling, general and administrative expenses on the consolidated statement of activities.

The provision for income taxes was determined using the asset and liability approach of accounting for income taxes. Deferred tax assets and liabilities are recognized using enacted tax rates for expected future tax consequences of events recognized in the financial statements or tax returns. The provision for income taxes represents income taxes paid or payable for the current year plus the change in deferred taxes during the year.

Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. The allowance at June 30, 2014, was \$212,000.

The Organization and its affiliates have adopted certain provisions of ASC Topic 740, Income Taxes. The provisions clarify the accounting for uncertainty in income taxes recognized in an organization's financial statements and prescribe a recognition threshold and measurement standard for the financial statement recognition and measurement of an income tax position taken or expected to be taken in a tax return. Generally, the Organization is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before the year ended June 30, 2011. The Organization has reviewed its tax position for all open tax years and has concluded that there are no uncertain tax positions that require recognition.

Interest rate swaps: MPR and APMG make use of interest rate swaps to manage their overall interest rate exposure. Other than the interest rate swaps, the Organization has no other free-standing or embedded derivatives.

American Public Media Group and Affiliates

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

On January 13, 2006, MPR entered into a 10-year amortizing interest rate swap agreement (the agreement) with Allied Irish Bank, New York, with an initial aggregate notional amount of \$10,000,000. Under the agreement, MPR is the fixed-rate payor on the swap, and Allied Irish Bank is the floating-rate payor. The fixed rate of interest is 3.5 percent and the fixed-rate day count fraction is 30/360. The floating rate is 70.0 percent of the one-month London interbank offered rate (LIBOR). MPR pays or receives a monthly settlement based on the difference between the fixed and floating rates. During the year ended June 30, 2014, MPR paid interest expense of \$283,000 and received no interest income toward the monthly swap settlement, which is shown as part of operations expenses on the consolidated statement of activities. As of June 30, 2014, the notional amount of the swap is \$7,905,000. Any liability related to the swap transaction is guaranteed by APMG. In addition to certain nonfinancial covenants, APMG is required to maintain a ratio of unrestricted cash and investments to indebtedness of at least 1.2-to-1.0. MPR reserves the right to terminate the swap agreement at any time at the then-current fair value. This may result in MPR making or receiving a termination payment. As of June 30, 2014, the outstanding fair value of the agreement was \$408,000, reported as a long-term liability. The change in the fair value of the agreement is included in investment return, net, on the consolidated statement of activities.

In May 2009, APMG entered into a 10-year amortizing interest rate swap agreement with Piper Jaffray Financial Products, Inc., with an aggregate notional amount of \$22,300,000. Under this agreement, APMG is the fixed-rate payor on the swap, and Piper Jaffray Financial Products, Inc. is the floating-rate payor. The fixed rate of interest is 2.6 percent and the fixed-rate day count fraction is 30/360. The floating rate is 70.0 percent of the three-month LIBOR. APMG pays or receives a monthly settlement based on the difference between the fixed and floating rates. During the year ended June 30, 2014, APMG paid interest expense of \$538,000 and received no interest income toward the monthly swap settlement, which is shown as part of selling, general and administrative expenses on the consolidated statement of activities. As of June 30, 2014, the notional amount of the swap is \$21,800,000. In addition to certain nonfinancial covenants, the Organization is required to maintain consolidated net assets of at least \$150,000,000, unrestricted cash and investments of at least \$60,000,000, and a ratio of unrestricted cash and investments to indebtedness of at least 1.0-to-1.0.

As of June 30, 2014, the outstanding fair value of the agreement was \$1,443,000, reported as a long-term liability. The change in the fair value of the agreement is included in investment return, net, on the consolidated statement of activities.

Use of estimates: The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Subsequent events: The Organization has considered subsequent events through October 14, 2014, the date of issuance, in preparing the consolidated financial statements and notes; there were none to report.

American Public Media Group and Affiliates

Notes to Consolidated Financial Statements

Note 3. Fair Value Measurements

ASC Topic 825, Financial Instruments, requires disclosure of fair value information about financial instruments, whether or not recognized in the statement of financial position, for which it is practicable to estimate that value. ASC Topic 825 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements.

ASC Topic 820, Fair Value Measurements and Disclosures, establishes a framework for measuring fair value and expands the disclosures about fair value measurements. Input levels as defined by ASC Topic 820 are as follows:

- Level 1: Financial assets and liabilities are valued using inputs that are unadjusted quoted prices of identical financial assets and liabilities in active markets accessible at the measurement date. The inputs include those traded on an active exchange, such as the New York Stock Exchange.
- Level 2: Financial assets and liabilities are valued using inputs such as quoted prices for similar assets and liabilities, or inputs that are observable, either directly or indirectly.
- Level 3: Financial assets and liabilities are valued using pricing inputs that are unobservable for the assets and liabilities or inputs that reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

The fair value measurement level within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments are carried at fair value. The fair value of long-term obligations approximates their carrying value based on discounted cash flows, using borrowing rates currently available to the Organization for obligations with similar terms and remaining maturities (Level 2).

Fair values of actively traded money market funds, mutual funds, and fixed-income and equity securities are based on quoted market prices. Fair values of inactively traded fixed-income securities and money market funds are based on quoted market prices of identical or similar securities based on observable inputs like bid prices, using a market valuation approach. The interest rate swap liability is recorded using ASC Topic 820 criteria, which include mark-to-market valuations and nonperformance risk (i.e., credit risk).

The Organization invests in private equity funds, an asset class consisting of equity investments in operating companies that are not publicly traded on a stock exchange (collectively, private equities). The Organization has an ownership interest in several private equity funds, each of which is directed by a fund manager that may utilize one or several investment strategies, including venture capital, growth capital and leveraged buyouts. Private equities are recorded in the consolidated financial statements at net asset value, which is based on the Organization's ownership interest in each private equity fund as reported quarterly by the funds' managers. As of June 30, 2014, the Organization has committed to invest an additional \$3,209,000 in private equities (capital calls), which will increase the Organization's ownership interest in private equities in the period the capital call is requested by the funds' managers. Private equities are generally illiquid; the Organization's ownership interest is decreased when the underlying investments are liquidated by the funds' managers. It is estimated that the liquidation of the Organization's private equities will take place over the next 10 years. The Organization's ownership interest in private equities is also increased or decreased based on changes in fair value, as determined quarterly by the funds' managers. The Organization's management has reviewed the fair value methods used by the funds' managers and has determined the methods used provide a reasonable estimate of fair value.

American Public Media Group and Affiliates

Notes to Consolidated Financial Statements

Note 3. Fair Value Measurements (Continued)

The endowment funds held by others and the beneficial interest in trust are recorded at the fair value of the underlying assets.

Financial assets and liabilities measured at fair value were as follows:

	June 30, 2014			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements:				
Mutual funds ⁽¹⁾	\$ 142,249,000	\$ -	\$ -	\$ 142,249,000
Money market funds	1,110,000	1,320,000	-	2,430,000
Government-sponsored enterprises debt securities	-	2,876,000	-	2,876,000
Corporate certificates of deposit and notes	-	5,504,000	-	5,504,000
Fixed income	35,000	-	-	35,000
Private equities	-	-	13,920,000	13,920,000
Beneficial interest in trust	-	-	3,130,000	3,130,000
Endowment funds held by others	-	-	27,343,000	27,343,000
Interest rate swap	-	(1,851,000)	-	(1,851,000)
Total	\$ 143,394,000	\$ 7,849,000	\$ 44,393,000	\$ 195,636,000

(1) Invested in American Funds Capital Income Builder—Class A (\$46,893,000), T. Rowe Price Capital Appreciation Fund (\$45,457,000), Oakmark Equity & Income Fund (\$49,815,000), and other equity mutual funds (\$84,000).

Changes in recurring fair value measurements using Level 3 inputs for the year ended June 30, 2014, were as follows:

	Private Equities	Beneficial Interest in Trust	Endowment Funds Held by Others	Total
Beginning investments at fair value	\$ 13,631,000	\$ 2,808,000	\$ 23,499,000	\$ 39,938,000
Purchase of investments	973,000	-	-	973,000
Sale of investments	(3,312,000)	-	-	(3,312,000)
Additions to endowments	-	-	482,000	482,000
Distributions	(13,000)	(52,000)	(958,000)	(1,023,000)
Investment income, net of fees	(261,000)	-	-	(261,000)
Realized gains	1,792,000	-	-	1,792,000
Unrealized gains	1,110,000	-	-	1,110,000
Change in value	-	374,000	4,320,000	4,694,000
Ending investments at fair value	\$ 13,920,000	\$ 3,130,000	\$ 27,343,000	\$ 44,393,000

An unrealized gain of \$953,000 is included in the consolidated statement of activities related to the investments held at June 30, 2014.

Risks and uncertainties: The Organization's financial instruments are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain financial instruments, it is reasonably possible that changes in the values of financial instruments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position and activities.

American Public Media Group and Affiliates

Notes to Consolidated Financial Statements

Note 4. Receivables

Receivables: Trade, pledges and grants receivable are primarily unconditional promises to give. Unconditional promises to give due in the next year are reported at their net realizable value as current assets in the consolidated statement of financial position. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value as other long-term assets in the consolidated statement of financial position, using discount rates applicable to the years in which the promises are received. Present value discounts were \$48,000 at June 30, 2014. Amortization of the discount is reported on the support and earned revenue lines associated with the initial transaction within the consolidated statement of activities.

Allowance for doubtful accounts: The Organization estimates an allowance for doubtful accounts based on a review of outstanding accounts and a consideration of historical experience. Receivables are presented net of allowances for doubtful accounts of \$1,930,000 at June 30, 2014, to provide for an estimate of accounts that may become uncollectible.

At June 30, 2014, trade receivables, pledges receivable and grants receivable (together, receivables) were due as follows:

In less than one year	\$ 25,744,000
In one to five years	4,112,000
In greater than five years	19,000
Total receivables	<u>\$ 29,875,000</u>

Pledges receivable: Pledges receivable consist of unconditional promises to give to finite, special-purpose fundraising campaigns. This balance includes large, one-time gifts to such campaigns.

Grants receivable: Grants receivable are unconditional promises to give to support the general operating or capital needs of the Organization.

Trade receivables: Trade receivables consist primarily of individual gifts and membership, underwriting and earned revenue.

Conditional promises to give are not included as support until such time as the conditions are substantially met. At June 30, 2014, the Organization had received conditional pledges and grants receivable of \$10,150,000 and conditional underwriting trade receivables of approximately \$9,213,000 that were not recorded in the consolidated financial statements because the conditions had not been met.

Note 5. Investments

At June 30, 2014, the composition of investments was as follows:

Cash	\$ 969,000
Money market funds	2,430,000
Government-sponsored enterprises debt securities	2,876,000
Corporate certificates of deposit and notes	5,504,000
Equity mutual funds	142,249,000
Fixed-income mutual funds	35,000
Cash value insurance policy	11,000
Private equities	13,920,000
Total	<u>\$ 167,994,000</u>

American Public Media Group and Affiliates

Notes to Consolidated Financial Statements

Note 5. Investments (Continued)

For the year ended June 30, 2014, net investment return consisted of the following:

Net investment return:	
Interest and dividend income	\$ 8,083,000
Realized gain	1,593,000
Unrealized gain	16,033,000
Change in value of interest rate swap	402,000
Change in value of endowment funds held by others and beneficial interest in trust	4,694,000
Total	<u>\$ 30,805,000</u>

Note 6. Board-Designated and Donor-Restricted Endowment

APMG has board-designated and donor-restricted endowment funds (APMG Endowments). The Organization has adopted an investment policy for the APMG Endowments with the objectives to: grow real assets at a rate that equals or exceed inflation plus the draw over the long term; provide ongoing and steady annual support (draw); minimize volatility in the annual draw; and maximize investment return including minimizing fees within the constraints of the investment policy objectives. The investment policy includes a spending policy designating an annual draw of 5.0 percent of the five-year average market value of the APMG Endowments. The Organization invests the APMG Endowments in publicly available mutual funds that meet investment objectives and minimize fees.

APMG reports the original value of support to a donor-restricted endowment as permanently restricted net assets. Accumulated net investment return on the donor-restricted funds is classified as temporarily restricted net assets, unless directed otherwise by a donor.

In 1998, APMG's Board of Trustees created a quasi-endowment that includes contributions from the proceeds of the sale of for-profit subsidiaries, appreciated assets, and other prepaid contracts (see Note 13) for the benefit of MPR, which is accounted for in the APMG Designated Fund (the Earned Endowment). From time to time, additional amounts have been deposited into the Earned Endowment; APMG maintains variance power. A distribution from the Earned Endowment of \$6,343,000 was made to MPR for the year ended June 30, 2014. At June 30, 2014, the market value of the Earned Endowment held by APMG in the APMG Designated Fund was \$158,154,000.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 139,658,000	\$ 213,000	\$ 1,335,000	\$ 141,206,000
Contributions to donor-restricted endowment	-	-	202,000	202,000
Investment income, net of investment fees	7,524,000	114,000	-	7,638,000
Net appreciation, realized and unrealized	17,567,000	221,000	-	17,788,000
Appropriation of endowment assets for expenditure	(6,343,000)	(65,000)	-	(6,408,000)
Endowment net assets, end of year	<u>\$ 158,406,000</u>	<u>\$ 483,000</u>	<u>\$ 1,537,000</u>	<u>\$ 160,426,000</u>

American Public Media Group and Affiliates

Notes to Consolidated Financial Statements

Note 7. Property and Equipment

Net property and equipment at June 30, 2014, consisted of the following:

Cost:	
Land	\$ 13,357,000
Building and leasehold improvements	61,379,000
Equipment	41,855,000
Construction in progress	866,000
Total cost	<u>117,457,000</u>
Less accumulated depreciation and amortization	<u>53,973,000</u>
Net property and equipment	<u>\$ 63,484,000</u>

Total depreciation and leasehold amortization expense was \$5,910,000 for the year ended June 30, 2014, and was recorded in the Property Fund.

Note 8. Broadcast Licenses and Other Intangibles

Broadcast licenses and other intangibles at June 30, 2014, consisted of the following:

	Weighted- Average Remaining Life in Years	2014
Intangibles subject to amortization (primarily program rights)	0.25	\$ 1,047,000
Less accumulated amortization		<u>1,035,000</u>
		12,000
Broadcast licenses (not subject to amortization)		<u>44,276,000</u>
Total		<u>\$ 44,288,000</u>

Total amortization expense was \$72,000 for the year ended June 30, 2014.

The Organization used qualitative factors to assess impairment at two of its units of accounting: its broadcast licenses recorded at MPR and at SCPR. Management determined that it was not more likely than not that the broadcast licenses were impaired, and no further action was taken.

The Organization identified one unit of accounting for its network of Florida broadcast licenses (the Network), which required a quantitative test of impairment (see Note 2). At June 30, 2014, management engaged a third-party valuation specialist (the Firm) with broadcast license expertise to assist management with determining the fair value of its Florida broadcast licenses. The Firm developed and management analyzed and accepted a fair value calculation that equally weighted the market approach and the income approach. The fair value exceeded carrying value, and no impairment was recorded as of June 30, 2014.

American Public Media Group and Affiliates

Notes to Consolidated Financial Statements

Note 9. Long-Term Obligations

Long-term obligations at June 30, 2014, included the following:

\$9,040,000 fixed-rate, Housing and Redevelopment Authority of the City of Saint Paul Revenue Refunding Bonds—Series 2010, issued at a premium, with interest due semiannually (2% to 5% as of June 30, 2014), maturing December 1, 2025 ⁽¹⁾	\$ 7,788,000
\$22,300,000 variable-rate, Miami-Dade County Industrial Development Authority, FL Variable Demand Revenue Bonds—Series 2008, with interest due monthly (0.04% as of June 30, 2014), maturing December 1, 2038; secured by an irrevocable letter of credit of \$20,277,140, which expires on October 28, 2015 ⁽²⁾	20,090,000
\$10,000,000 variable-rate, Housing and Redevelopment Authority of the City of Saint Paul Demand Revenue Bonds—Series 2002, with interest due monthly (0.05% as of June 30, 2014), maturing May 1, 2022; secured by an irrevocable letter of credit of \$6,909,000, which expires on November 15, 2015 ⁽²⁾	6,825,000
\$11,500,000 variable-rate, Port Authority of the City of Saint Paul Demand Revenue Bonds—Series 2005-7, with interest due monthly (0.05% as of June 30, 2014), maturing May 1, 2025; secured by an irrevocable letter of credit of \$8,610,000, which expires on November 15, 2015 ⁽²⁾	8,505,000
\$7,000,000 variable-rate, California Infrastructure and Economic Development Demand Revenue Bonds—Series 2005, with interest due monthly (0.05% as of June 30, 2014), maturing September 1, 2025; secured by an irrevocable letter of credit of \$4,803,500, which expires on November 15, 2015 ⁽²⁾	4,745,000
\$4,600,000 Palm Beach County, Florida Industrial Development Revenue Bonds, Series 2011 ⁽³⁾	4,495,000
\$750,000 promissory note with WAY Media, Inc relating to the purchase of WNPS	750,000
\$4,200,000, Florida Development Finance Corporation Industrial Development Revenue Bonds, Series 2012 ⁽⁴⁾	4,085,000
\$3,550,000 note payable to the Housing and Redevelopment Authority of the City of Saint Paul, bearing interest at 6.5% and maturing March 13, 2017. Accrued interest and principal of \$378,000 per annum can be forgiven provided MPR meets certain employment commitments.	1,000,000
Charitable gift annuities	87,000
Other long-term obligations	183,000
Total long-term obligations	<u>58,553,000</u>
Less amounts due within one year	7,378,000
Long-term portion	<u><u>\$ 51,175,000</u></u>

- (1) MPR's Series 2010 Bonds are secured by a guaranty provided by American Public Media Group, whereby APMG guarantees the payments when due for the related principal and interest. In addition to certain nonfinancial covenants, the Organization is required to maintain a ratio of unrestricted cash and investments to indebtedness of no less than 1.0-to-1.0.

American Public Media Group and Affiliates

Notes to Consolidated Financial Statements

Note 9. Long-Term Obligations (Continued)

- (2) Interest on the variable-rate Demand Revenue Bonds (APMG Series 2008, MPR Series 2002 and 2005-7, and SCPR Series 2005) (the Bonds) is based on a daily remarketing process; however, the rate is not to exceed 10.0 percent. APMG, MPR and SCPR have the option to call for the redemption and prepayment of the Bonds in full or in part as per the redemption schedules. Based on the redemption schedules, APMG, MPR and SCPR redeemed \$1,945,000 of the Bonds during the year ended June 30, 2014. The Bonds can also be tendered on certain dates by the bondholders. The remarketing agreements provide for a “best efforts” remarketing of any bonds tendered.
- (3) On December 2, 2011, Palm Beach County, Florida (the WPBI Issuer), issued 20-year Industrial Development Revenue Bonds, Series 2011, which were used to refinance the APMG bridge financing in connection with CSF’s acquisition of the noncommercial radio station WPBI (90.7 FM) serving West Palm Beach, Florida, in the amount of \$4,600,000 (the WPBI Bonds).

The WPBI Bonds are structured as unrated and unenhanced variable-rate demand bonds purchased by U.S. Bank National Association (the Bank) directly from the WPBI Issuer. On December 2, 2011, CSF entered into a supplemental agreement, in which the Bank agreed to initially purchase the Bonds directly from the WPBI Issuer for a period of three years ending December 1, 2014. At the end of the initial purchase period, the Bank will have the option to tender the WPBI Bonds or renew for an additional purchase period. The WPBI Bonds are secured by a guaranty provided by APMG. Interest on the WPBI Bonds is payable monthly at a fixed rate of 1.8 percent until December 1, 2014.

- (4) On November 13, 2012, the Florida Development Finance Corporation (the WNPS Issuer) issued 20-year Industrial Development Revenue Bonds, Series 2012, which were used to refinance the APMG bridge financing in connection with CSF’s acquisition of the noncommercial radio station WNPS (88.7 FM) serving Fort Meyers and Naples, Florida, in the amount of \$4,200,000 (the WNPS Bonds).

The WNPS Bonds are structured as unrated and unenhanced variable-rate demand bonds purchased by U.S. Bank National Association (the Bank) directly from the WNPS Issuer. On November 13, 2012, CSF entered into a supplemental agreement, in which the Bank agreed to initially purchase the WNPS Bonds directly from the WNPS Issuer for a period of three years ending November 12, 2015. At the end of the initial purchase period, the Bank will have the option to tender the WNPS Bonds or renew for an additional purchase period. The WNPS Bonds are secured by a guaranty provided by APMG. The WNPS Bonds were issued on November 13, 2012, and will mature on November 1, 2032. Interest on the WNPS Bonds is payable monthly at a fixed rate of 1.3 percent until November 12, 2015.

On October 28, 2010, APMG entered into an agreement with U.S. Bank National Association as the letter of credit provider for the APMG Series 2008 bonds. The letter of credit was established for five years, expiring on October 28, 2015, unless terminated, and equals the aggregate outstanding principal amount of the bonds plus 34 days’ interest at a maximum interest rate of 10.0 percent per annum.

On October 28, 2010, MPR and SCPR entered into an agreement with JPMorgan Chase Bank, N.A. as the letter of credit provider for the MPR Series 2002 and 2005-7 and SCPR Series 2005 bonds. The letters of credit were established for five years, expiring on November 15, 2015, unless terminated, and equal the aggregate outstanding principal amount of these bonds plus 45 days’ interest at a maximum interest rate of 10.0 percent per annum.

In addition to certain nonfinancial covenants, APMG is required to maintain a ratio of unrestricted cash and investments to indebtedness of no less than 1.2-to-1.0 for the APMG Series 2008, MPR Series 2002 and 2005-7, SCPR Series 2005, WPBI and WNPS bonds.

American Public Media Group and Affiliates

Notes to Consolidated Financial Statements

Note 9. Long-Term Obligations (Continued)

There is no assurance that the letters of credit can be renewed. Assuming all the bonds are remarketed and the letters of credit are renewed over each of the bond's terms, the scheduled maturities of the long-term obligations are as follows:

Years Ending June 30,

2015	\$ 7,378,000
2016*	7,101,000
2017	3,137,000
2018	2,911,000
2019	3,012,000
Thereafter	35,014,000
Total	<u>\$ 58,553,000</u>

*In the event any of the bonds are not remarketed and amounts are drawn on the letters of credit, such amounts are due in quarterly installments of one-twelfth the amount of the draw, beginning in the calendar quarter one year after the draw date. Additionally, any outstanding draws on the letters of credit would be due in full on the earlier of the date of remarketing of the related bonds or termination of the letter of credit. If the letters of credit are not renewed in October 2015 or November 2015, the total maturities on long-term obligations for the year ending June 30, 2016, would be \$43,161,000. There were no amounts outstanding on the letters of credit that were not remarketed as of June 30, 2014.

On March 10, 2011, APMG entered into a revolving credit agreement with U.S. Bank National Association (the Bank) to obtain an unsecured line of credit for an amount not to exceed \$8,000,000 (line of credit). Interest on the outstanding balance is payable at 1.2 percent plus the one-month LIBOR. The line of credit expires on February 28, 2015, unless terminated sooner by APMG upon written notice to the Bank. As of June 30, 2014, there was no outstanding balance of this line of credit.

The Organization incurred \$561,000 of interest expense on long-term obligations during the year ended June 30, 2014.

Note 10. Leases

The Organization leases office, studio and transmission facilities, as well as various computer equipment, under noncancelable operating leases. Total rent expense for all operating leases, including month-to-month leases and one-time rentals, was \$2,262,000 for the year ended June 30, 2014.

Minimum future payments required under noncancelable operating leases as of June 30, 2014, are as follows:

Years Ending June 30,

2015	\$ 1,428,000
2016	1,183,000
2017	1,199,000
2018	1,125,000
2019	1,033,000
Thereafter	1,604,000
Total	<u>\$ 7,572,000</u>

American Public Media Group and Affiliates

Notes to Consolidated Financial Statements

Note 11. Commitments and Contingencies

The Organization is involved in various legal proceedings incidental to its business. Although it is difficult to predict the ultimate outcome of these cases, management believes that the resolution of such proceedings will not have a material adverse effect on the consolidated financial statements of the Organization.

SCPR is party to a public service operating agreement (the PACCD Agreement) with Pasadena Area Community College District (PACCD) for the operation of public radio station KPCC (89.3 FM), whose city of license is Pasadena, California. KPCC provides a radio broadcast signal to a significant portion of Southern California. Pursuant to the PACCD Agreement, SCPR assumed responsibility for the operation of KPCC, while PACCD remains the licensee of the station. The PACCD Agreement is effective through December 31, 2025, and automatically extends for successive periods of five years each thereafter, unless either party files written notice at least 12 months prior to the end of the then-current term of extension.

SCPR is also party to a public service operating agreement (the UR Agreement) with the University of Redlands (UR) for the operation of public radio station KUOR (89.1 FM), whose city of license is Redlands, California. KUOR provides a radio broadcast signal to a significant portion of Southern California's Inland Empire. SCPR assumed responsibility for the programming, operation and financial activities of KUOR, while UR remains the licensee of the station. The UR Agreement terminates on April 21, 2017.

Under the terms of the public service operating agreements, SCPR must maintain certain minimum regulatory and operating requirements and share revenues generated.

Note 12. Retirement Plans and Deferred Compensation

The Organization and its not-for-profit affiliates have a 403(b) tax-deferred retirement plan (the Plan), which provides that qualified employees make required and supplemental contributions to the Plan through payroll deductions. For the year ended June 30, 2014, required contributions were matched 100 percent by the Organization up to 6.5 percent of the employee's base compensation (matching contributions). Employees may elect to make required contributions after one year of employment. Required contributions become mandatory after five years of employment or age 35, whichever is later. The Organization provided \$2,676,000 of required matching contributions for the year ended June 30, 2014.

Note 13. Educational Broadband Service (EBS) Frequencies Contracts

During the year ended June 30, 2008, MPR entered into contracts with Nextel Spectrum Acquisition Corporation (Sprint Nextel) and Clearwire Corporation (Clearwire), in accordance with Federal Communications Commission (FCC) rules, to lease excess capacity on its Educational Broadband Service (EBS) channels. Under the terms of the contracts, MPR will remain the licensee on all of these EBS licenses and will have the responsibility for compliance with all educational and other requirements imposed by the FCC. The contracts further provide that total lease payments of \$25,000,000 be paid at the inception of the agreement. The contracts provide for initial lease periods of 15 years, with the option to renew the agreements for an additional 15 years. The agreements contain acquisition rights subject to FCC rules. The total revenue from these contracts of \$25,000,000, less \$831,000 of costs incurred to execute the agreements, is to be recognized over the 30-year lease terms on a straight-line basis. During the year ended June 30, 2014, the Organization recognized \$806,000 as licensing fees in the consolidated statement of activities. As of June 30, 2014, \$18,604,000 of deferred revenue related to the EBS contracts is included on the consolidated statement of financial position.

American Public Media Group and Affiliates

Notes to Consolidated Financial Statements

Note 14. Contractual Settlement

In October 2012, MPR accepted a \$14,000,000 settlement to terminate a contract (the settlement) that was providing an annual royalty payment to MPR. The settlement included \$863,000 for the transfer of property owned by MPR, \$1,841,000 for the payment of prior obligations due under the contract, and \$11,296,000 to settle any future obligation under the contract. From the settlement, MPR made an \$11,407,000 grant to APMG that was used largely to make contributions to endowment funds that will provide an annual draw benefiting MPR that will likely equal or exceed the historical royalty payments provided from the contract.

Note 15. Recent Accounting Pronouncements

Revenue recognition: In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This standard outlines a single comprehensive model for companies to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that revenue is recognized when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. Transfer of control is not the same as transfer of risks and rewards, as it is considered in current guidance. The Organization will also need to apply new guidance to determine whether revenue should be recognized over time or at a point in time. This standard will be effective for the first interim period within annual reporting periods beginning after December 15, 2016, with no early adoption permitted, using either of two methods: (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU No. 2014-09, or (b) retrospective with the cumulative effect of initially applying ASU No. 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined in ASU No. 2014-09. The Organization has not yet selected a transition method and is currently evaluating the impact of the pending adoption of ASU No. 2014-09 on the consolidated financial statements.

Joint and several liability arrangements: In February 2013, the FASB issued ASU No. 2013-04, *Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date*. ASU No. 2013-04 provides guidance on the recognition, measurement and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date. This standard requires an entity to measure obligations resulting from such joint and several liability arrangements as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. An entity is also required to disclose the nature and amount of the obligation as well as other information about those obligations. ASU No. 2013-04 is effective for the Organization for fiscal years ending after December 15, 2014, with early adoption permitted. ASU No. 2013-04 requires retrospective application to all prior periods presented. The Organization is currently evaluating the impact of the adoption of this standard on the consolidated financial statements.

Supplemental Information

American Public Media Group and Affiliates

Schedule of Operating Fund and Long-Term Activities Year Ended June 30, 2014, With Comparative Totals for the Year Ended June 30, 2013 (In Thousands)

	APMG	CSF	MPR	SCPR	Eliminations	Consolidated Total	
						2014	2013
Operating Fund:							
Support from public:							
Individual gifts and membership	\$ -	\$ 2,181	\$ 19,995	\$ 12,982	\$ -	\$ 35,158	\$ 33,704
Regional underwriting	-	1,340	10,243	7,963	-	19,546	17,952
National underwriting	-	-	13,641	-	-	13,641	11,127
Business general support	-	6	910	314	-	1,230	1,050
Foundations	-	100	5,185	2,130	-	7,415	6,568
Earned endowment draw	-	-	3,539	-	-	3,539	4,249
Intercompany grants	-	26	-	150	(176)	-	262
Educational sponsors	-	-	477	-	-	477	454
Other public support	-	-	606	-	-	606	463
Total support from public	-	3,653	54,596	23,539	(176)	81,612	75,829
Support from governmental agencies:							
Corporation for Public Broadcasting	-	317	4,228	3,172	-	7,717	9,694
Grants from other governmental agencies	-	114	1,497	16	-	1,627	1,255
Total support from governmental agencies	-	431	5,725	3,188	-	9,344	10,949
Earned revenue:							
Revenue from operating activities	-	-	23,891	73	(334)	23,630	21,361
Royalties and licensing fees	54	-	149	-	-	203	549
Investment return, net	4	-	1,012	-	-	1,016	988
Product sales and other earned revenue	12,031	35	3,423	35	(7,571)	7,953	12,807
Total earned revenue	12,089	35	28,475	108	(7,905)	32,802	35,705
Total support and earned revenue	12,089	4,119	88,796	26,835	(8,081)	123,758	122,483
Expenses:							
Operations	8,980	3,097	67,768	18,738	(2,851)	95,732	94,904
Administrative	1,742	730	10,581	3,104	(6,666)	9,491	10,204
Fundraising	-	1,795	10,293	4,980	(33)	17,035	15,184
Costs of goods sold	2,579	-	-	-	-	2,579	4,470
Total expenses	13,301	5,622	88,642	26,822	(9,550)	124,837	124,762
Support and earned revenues in excess of (less than) expenses before long-term activities	(1,212)	(1,503)	154	13	1,469	(1,079)	(2,279)
Long-term activities:							
Designated Fund support from operating activities	-	-	1,859	-	-	1,859	1,807
Designated Fund net change	19,890	-	1,322	10	(256)	20,966	21,656
Property Fund net change	654	(317)	(2,990)	(425)	(1,184)	(4,262)	(7,233)
Temporarily restricted net change	266	125	1,333	841	(29)	2,536	(789)
Permanently restricted net change	50	-	532	25	-	607	362
Change in net assets (deficit)	19,648	(1,695)	2,210	464	-	20,627	13,524
Net assets (deficit)—beginning of year	118,351	(7,232)	94,364	26,702	-	232,185	218,661
Net assets (deficit)—end of year	\$ 137,999	\$ (8,927)	\$ 96,574	\$ 27,166	\$ -	\$ 252,812	\$ 232,185

American Public Media Group and Affiliates

Schedule of Consolidating Statement of Financial Position Information by Entity June 30, 2014, With Comparative Totals as of June 30, 2013 (In Thousands)

Assets	APMG	CSF	MPR	SCPR	Eliminations	Consolidated Total	
						2014	2013
Current Assets							
Cash and cash equivalents	\$ 8,170	\$ -	\$ -	\$ -	\$ -	\$ 8,170	\$ 14,340
Trade receivables, net	61	390	13,762	3,834	-	18,047	18,691
Pledges receivable, net	-	-	-	419	-	419	418
Grants receivable, net	-	291	4,128	2,859	-	7,278	9,345
Investments—interest in investment pool	-	-	-	2,663	(2,663)	-	-
Other current assets	3,925	33	1,788	559	-	6,305	5,758
Due from affiliates	-	-	806	-	(806)	-	-
Total current assets	12,156	714	20,484	10,334	(3,469)	40,219	48,552
Property and Equipment, net	20	713	43,705	19,046	-	63,484	65,539
Other Assets							
Investments—interest in investment pool	-	1	10,525	-	(10,526)	-	-
Investments	152,819	-	449	1,537	13,189	167,994	144,805
Endowment funds held by others and beneficial interest in trust	-	-	30,080	393	-	30,473	26,307
Trade receivables, net	-	-	3	2	-	5	6
Pledges receivable, net	-	-	10	793	-	803	1,417
Grants receivable, net	-	248	2,220	855	-	3,323	3,029
Deferred income taxes	-	129	-	-	-	129	206
Broadcast licenses not subject to amortization	16,922	8,006	18,267	1,081	-	44,276	44,202
Intangible assets subject to amortization, net	-	-	12	-	-	12	84
Other long-term assets	305	219	263	138	-	925	953
Due from affiliates	9,350	-	23,704	-	(33,054)	-	-
Total other assets	179,396	8,603	85,533	4,799	(30,391)	247,940	221,009
Total assets	\$ 191,572	\$ 10,030	\$ 149,722	\$ 34,179	\$ (33,860)	\$ 351,643	\$ 335,100
Liabilities and Net Assets (Deficit)							
Current Liabilities							
Trade payable	\$ 824	\$ 92	\$ 2,618	\$ 231	\$ -	\$ 3,765	\$ 3,908
Current portion of long-term debt, net	550	4,495	1,978	355	-	7,378	2,784
Accrued liabilities	1,404	138	5,539	1,502	-	8,583	8,956
Refundable advance	-	-	-	-	-	-	475
Deferred revenue	5,119	47	2,580	535	-	8,281	7,387
Due to affiliates	806	-	-	-	(806)	-	-
Total current liabilities	8,703	4,772	12,715	2,623	(806)	28,007	23,510
Other Liabilities							
Long-term obligations, less current portion, net	19,723	4,835	22,227	4,390	-	51,175	58,549
Interest rate swap	1,443	-	408	-	-	1,851	2,253
Deferred revenue, less current portion	-	-	17,798	-	-	17,798	18,603
Loan from affiliates	23,704	9,350	-	-	(33,054)	-	-
Total liabilities	53,573	18,957	53,148	7,013	(33,860)	98,831	102,915
Net Assets (Deficit)							
Unrestricted	136,135	(9,365)	62,825	20,567	56	210,218	192,734
Temporarily restricted	479	438	20,718	6,374	(56)	27,953	25,417
Permanently restricted	1,385	-	13,031	225	-	14,641	14,034
Total net assets (deficit)	137,999	(8,927)	96,574	27,166	-	252,812	232,185
Total liabilities and net assets (deficit)	\$ 191,572	\$ 10,030	\$ 149,722	\$ 34,179	\$ (33,860)	\$ 351,643	\$ 335,100



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