Consolidated Financial Report

AMERICAN PUBLIC MEDIA GROUP AND AFFILIATES

JUNE 30, 2018

AMERICAN PUBLIC MEDIA GROUP™

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AMERICAN PUBLIC MEDIA GROUP AND AFFILIATES
MANAGEMENT DISCUSSION AND ANALYSIS
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In fiscal year 2018, American Public Media Group and Affiliates (APMG) implemented an important change in how it is accounting for its Sustaining Membership program, which provides vital support for our programming through recurring monthly payments from individuals. APMG changed the recurring term of its Sustaining Membership agreement from annual to monthly; now we are recording revenue from Sustainers as it is received each month instead of recording the total amount of an annual pledge from Sustainers. This change was necessary to support new gift processing technology and to meet the changing philanthropic expectations of our donors.

From a financial reporting perspective, this change is most visible in the Consolidated Statement of Activities (page 4) and Schedule of Operating Fund and Long-term Activities (page 27), which caused a one-time $11,671,000 decrease in Individual Gifts and Membership support and Change in Net Assets line items. More information about the change is included in footnote 2 of the report (page 10).

While this change caused a one-time reduction in revenue recorded in fiscal year 2018, it did not in any way change the actual level of support from Sustainers or affect the amount of cash flow provided by our Sustaining Members. Revenues will substantially recover in fiscal year 2019 with this change now fully implemented.

Jon McTaggart
President and CEO

INDEPENDENT AUDITORS' REPORT

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, 2018, and 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 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 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 auditors' 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, 2018, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Trustees
American Public Media Group and Affiliates

Report on Summarized Comparative Information

In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited consolidated financial statements and related supplemental 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 26 and 27 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 1, 2018

AMERICAN PUBLIC MEDIA GROUP AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2017)
(IN THOUSANDS)

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 3,665	$ 2,853
Program Receivables, Net (Notes 2 and 4)	10,747	21,702
Pledges Receivable, Net (Note 4)	5,247	4,686
Grants Receivable, Net (Note 4)	3,765	4,306
Investments (Notes 3 and 5)	12,037	10,918
Other Current Assets	1,829	2,161
Total Current Assets	37,290	46,626
PROPERTY AND EQUIPMENT, NET (NOTE 7)	57,378	57,667
OTHER ASSETS		
Investments (Notes 3 and 5)	182,805	166,532
Endowment Funds Held by Others and Beneficial Interest in Trust (Notes 2 and 3)	32,883	32,000
Program Receivables, Net (Note 4)	1	2
Pledges Receivable, Net (Note 4)	5,276	6,634
Grants Receivable, Net (Note 4)	897	2,202
Broadcast Licenses	20,560	20,560
Intangible Assets Subject to Amortization, Net	-	312
Other Long-Term Assets	281	266
Total Other Assets	242,703	228,508
Total Assets	$ 337,371	$ 332,801
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payables	$ 5,236	$ 5,190
Current Portion of Long-Term Debt, Net (Note 8)	2,776	2,701
Line of Credit (Note 8)	1,500	500
Accrued Liabilities	9,851	7,044
Deferred Revenue	2,414	1,825
Other Current Liabilities	58	44
Total Current Liabilities	21,835	17,304
OTHER LIABILITIES		
Long-Term Debt, Less Current Portion, Net (Note 8)	26,124	28,853
Interest Rate Swap (Notes 2 and 3)	-	189
Other Long-Term Liabilities	1,027	964
Deferred Revenue, Less Current Portion (Note 12)	25,850	15,649
Total Other Liabilities	53,001	45,655
Total Liabilities	74,836	62,959
NET ASSETS		
Unrestricted	203,450	212,840
Temporarily Restricted	43,819	41,847
Permanently Restricted	15,266	15,155
Total Net Assets	262,535	269,842
Total Liabilities and Net Assets	$ 337,371	$ 332,801

See accompanying Notes to Consolidated Financial Statements.

AMERICAN PUBLIC MEDIA GROUP AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)
(IN THOUSANDS)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Consolidated Totals 2018	Consolidated Totals 2017
SUPPORT FROM PUBLIC					
Individual Gifts and Membership (Note 2)	$ 25,840	$ 2,551	$ 22	$ 28,413	$ 39,979
Individual Gifts and Membership - Released from Restriction (RFR)	2,316	(2,316)	-	-	-
Regional Underwriting	20,396	50	-	20,446	20,597
Regional Underwriting - RFR	55	(55)	-	-	-
National Underwriting	22,466	-	-	22,466	20,649
Business General Support	462	919	-	1,381	876
Business General Support - RFR	1,058	(1,058)	-	-	-
Foundations	-	2,285	-	2,285	2,479
Foundations - RFR	3,348	(3,348)	-	-	-
Educational Sponsors	447	-	-	447	439
Other Public Support	-	26	-	26	44
Other Public Support - RFR	(24)	24	-	-	-
Campaign Support	8	12,698	-	12,706	18,673
Campaign Support - RFR	8,469	(8,469)	-	-	-
Total Support from Public	84,841	3,307	22	88,170	103,736
SUPPORT FROM GOVERNMENTAL AGENCIES					
Corporation for Public Broadcasting	-	6,489	-	6,489	5,303
Corporation for Public Broadcasting - RFR	5,763	(5,763)	-	-	-
Grants from Other Governmental Agencies	-	132	-	132	4,747
Grants from Other Governmental Agencies - RFR	2,447	(2,447)	-	-	-
Total Support from Governmental Agencies	8,210	(1,589)	-	6,621	10,050
EARNED REVENUE					
Revenue from Operating Activities	22,026	-	-	22,026	18,713
Royalties and Licensing Fees	907	-	-	907	876
Investment Return, Net (Note 5)	11,512	254	89	11,855	21,806
Product Sales and Other Earned Revenue	5,125	-	-	5,125	12,866
Total Earned Revenue	39,570	254	89	39,913	54,261
Total Support and Earned Revenue	132,621	1,972	111	134,704	168,047
EXPENSES AND LOSSES					
Operations	108,525	-	-	108,525	107,780
Selling, General, and Administrative	12,816	-	-	12,816	11,428
Fundraising	20,670	-	-	20,670	19,221
Total Expenses	142,011	-	-	142,011	138,429
CHANGE IN NET ASSETS	(9,390)	1,972	111	(7,307)	29,618
Net Assets - Beginning of Year	212,840	41,847	15,155	269,842	240,224
NET ASSETS - END OF YEAR	$ 203,450	$ 43,819	$ 15,266	$ 262,535	$ 269,842

See accompanying Notes to Consolidated Financial Statements.

AMERICAN PUBLIC MEDIA GROUP AND AFFILIATES
CONSOIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2017)
(IN THOUSANDS)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (7,307)	$ 29,618
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	4,803	5,130
Unrealized (Gain) Loss on Investments and Interest Rate Swap	1,492	(11,758)
Change in Value of Endowment Funds Held by Others and Beneficial Interest in Trust	(1,775)	(3,486)
Gain on Disposal of Property and Equipment	(2,125)	(66)
Gain on Disposal of Intangible	(673)	-
Deferred Gain on Sale Leaseback of Property and Equipment	(11,864)	-
Contributions and Grants Restricted for Capital Projects and Permanent Endowments	(149)	(5,201)
Loan Forgiveness - City of Saint Paul		(355)
(Increase) Decrease in Assets:		
Program and Pledges Receivable, Net	10,003	(9,660)
Grants Receivable, Net	1,193	1,476
Prepaid Expenses, Inventory and Other Assets	87	4,600
Increase (Decrease) in Liabilities:		
Accounts Payables and Accrued Liabilities	2,896	(3,667)
Deferred Revenue	10,790	(5,711)
Other Liabilities	(33)	60
Total Adjustments	14,645	(28,638)
Net Cash Provided by Operating Activities	7,338	980
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(5,284)	(3,290)
Purchases of Investments	(41,538)	(6,535)
Proceeds from Sales and Maturities of Investments	22,404	8,675
Proceeds from Sale of Property and Equipment	15,122	77
Proceeds from Sale of Intangible	972	-
Purchase of Other Intangible Assets	-	(396)
Additions to Endowment Funds Held by Others and Beneficial Interest in Trust	(3,551)	(76)
Distributions from Endowment Funds Held by Others and Beneficial Interest in Trust	4,443	1,215
Net Cash Used by Investing Activities	(7,432)	(330)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Long-Term Obligations	(2,670)	(2,600)
Principal Payments on Capital Lease	(37)	(27)
Principal payment on Line of Credit	-	(500)
Net Borrowings on Line of Credit	1,000	-
Receipts of Contributions and Grants Restricted for Campaigns, Capital Projects and Permanent Endowments	2,613	1,846
Net Cash Provided (Used) by Financing Activities	906	(1,281)
NET CHANGE IN CASH AND CASH EQUIVALENTS	812	(631)
Cash and Cash Equivalents - Beginning of Year	2,853	3,484
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 3,665	$ 2,853

See accompanying Notes to Consolidated Financial Statements.

AMERICAN PUBLIC MEDIA GROUP AND AFFILIATES
CONSOIDATED STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2017)
(IN THOUSANDS)

	2018	2018
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	$ 909	$ 1,133
SUPPLEMENTAL DISCLOSURES OF NONCASH OPERATING AND INVESTING ACTIVITIES		
Additions to Property, Plant, and Equipment Funded through Accounts Payable	$ 68	$ 25
Noncash Addition of Property and Equipment	$ 290	$ -

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 NATURE OF OPERATIONS

Organization and Description of Business

American Public Media Group (APMG) is a nonprofit parent support organization whose primary purpose is to provide financial and management support services to its affiliated organizations, including Minnesota Public Radio and subsidiaries (MPR), Southern California Public Radio (SCPR), Clearspring Holdings Inc. and affiliate (Clearspring) (together, the APM Group). APMG and its affiliates (the Organization) are engaged in various public radio, digital media, theater rental, events, and other ancillary activities. APMG also operates an ecommerce website “Public Media Market”, by which APMG sells program-related and psychographically 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 Board of Trustees. MPR, in turn, is the nonprofit 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.

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

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:

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

Unrestricted

APMG and its nonprofit affiliates maintain the following unrestricted funds:

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Financial Statement Presentation (Continued)

Unrestricted (Continued)

Property Fund: To acquire and account for all land, buildings, building improvements, equipment, and broadcast licenses and certain 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. Certain financial assets in the Designated Fund-unrestricted are available to the Operating Fund for temporary 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. Earnings on temporarily restricted endowment funds are restricted until drawn upon.

Temporarily restricted net assets at June 30, 2018 were restricted for the following purposes:

Program Support	$ 26,678,000
Capital Projects	428,000
Campaign Restricted to Building Purchase and Construction	1,821,000
Undistributed Earnings on Endowments Held by Others	14,782,000
Charitable Gift Annuities	110,000
Total	$ 43,819,000

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, 2018 consisted of the following:

Endowment Funds Held by Others	$ 13,232,000
Donor-Restricted Endowment Funds	2,034,000
Total	$ 15,266,000

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

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

Summarized Financial Information for the Year Ended June 30, 2017

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, 2017, from which the summarized information was derived. The Organization's consolidated financial statements for the prior year are available on its website at americanpublicmediagroup.org.

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. Conditional promises to give are not included as support until such time as the conditions are substantially met.

The Organization receives conditional support from the underwriters of its programming (underwriting), who are thanked with on-air and web messages (spots). Temporarily restricted underwriting support is related to membership challenges and is released from restriction when the membership challenge has been met. Underwriting is generally recognized as unrestricted support as the spots are run. The Organization may also receive goods and services (barter assets) from its underwriters. Barter expense is recorded when the goods are used or the services are received. For the year ended June 30, 2018, barter revenue of $2,241,000 and barter expense of $2,394,000 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Support from Public and Governmental Agencies (Continued)

The Organization receives recurring monthly payments from individuals known as Sustaining Members. Prior to July 1, 2017, the Organization's existing Sustaining Membership agreement (Prior Agreement) included an unconditional promise to make monthly payments to fulfill a renewing twelve-month annual membership pledge. This was accounted for by recording a Program Receivable and Individual Gifts and Membership Support in the amount of the next twelve monthly payments at the date the Sustaining Membership was initiated or renewed. Beginning on July 1, 2017 the Organization implemented a new Sustaining Membership agreement(New Agreement) that removed the requirement to make an annual pledge for all new and renewing Sustaining Memberships. This change was necessary to support new gift processing technology and meet the changing philanthropic expectations of donors. Largely as a result of this change, Program Receivables decreased $11,671,000 during fiscal year 2018 to $-0- as of June 30, 2018. In addition, Individual Gifts and Membership Support in fiscal year 2018 experienced a one-time decrease of a similar amount when compared to fiscal year 2017 because revenue recognition is limited to the number of monthly payments received in fiscal year 2018 under the New Agreement versus the twelve-month annual pledge recognized under the Prior Agreement. This change to the New Agreement did not affect the amount of cash flow provided by Sustaining Membership.

Earned Operating Activities

The Organization recognizes earned operating revenue largely from the distribution of its content (distribution) and ticket sales. Distribution is 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 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment with a cost basis of $5,000 or greater are recorded at cost, and depreciation is computed on the straight-line method over the estimated useful lives of the related assets, as follows:

Building	32 to 45 Years
Equipment	3 to 20 Years

Leasehold improvements are amortized over the shorter of the lease term or useful life.

Investments

Investments are stated at fair value. As defined in the Financial Accounting Standards Board (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 investments.

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% for the year ended June 30, 2018, of the 20-quarter moving average market value of the Fund's assets through the calendar year-end preceding the fiscal year in in which the distribution is planned. 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 reported as decreases to temporarily restricted net assets and increases to unrestricted net assets, within the 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 unrestricted contributions that have been designated to the Endowment by the SCPR Board of Trustees (board-designated funds). SCPR currently does not receive a draw from the Endowment fund; rather, SCPR has elected to reinvest all investment returns. SCPR may from time to time draw on board-designated funds by special action by the SCPR Board of Trustees. Distributions are reported within the investment return, net, in the consolidated statement of activities. Endowment funds held by others are stated at fair value.

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. Effective October 1, 2017, as permitted by the Trust agreement, the trust was dissolved and its assets were transferred to the MCF in a separate endowment fund and is now managed in accordance with the MCF endowment investment and distribution policy.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The Organization tests broadcast licenses for impairment by first assessing qualitative factors to determine the existence of events and circumstances may indicate it is more likely than not that the indefinite-lived intangible assets could be impaired. If, after assessing the totality of events and circumstances, the Organization concludes that it is not more likely than not that the indefinite-lived intangible assets are impaired, then no further action is taken. However, if the Organization concludes otherwise, it determines the fair value of the indefinite-lived intangible assets using a quantitative impairment test.

At June 30, 2018, the Organization determined no quantitative testing of broadcast licenses was necessary, and no impairment was recorded.

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, 2018.

Other Assets

Other assets include barter assets and prepaid expenses. Barter assets are initially recorded at fair market value and expensed as goods and services are used or received.

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 head count.

Income Tax Status

APMG, MPR, FTC and SCPR are organized under Chapter 317 of Minnesota Statutes as nonprofit organizations. 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 and SCPR 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. Clearspring is a wholly owned, taxable, for-profit subsidiary of APMG. APMG and its nonprofit affiliates are engaged in certain activities that result in taxable unrelated business income. APMG and its nonprofit affiliates recorded a tax expense of $125,000 for the year ended June 30, 2018, 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, 2018 was approximately $2,898,000.

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. 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest Rate Swap

During the year, APMG made use of interest rate swap to manage their overall interest rate exposure. Other than the interest rate swap, the Organization has no other freestanding or embedded derivatives.

In February 2015, APMG entered into a forward swap agreement with US Bank National Association, with an initial aggregate notional amount of $7,135,000 that expires on June 1, 2024. Under this agreement, APMG is the fixed-rate payer on the swap, and US Bank National Association is the floating-rate payer. The fixed rate of interest is 2.178% and the fixed-rate day count fraction is 30/360. The floating rate is 87.507% of the one-month LIBOR and the floating-rate day count is actual/360. On December 4, 2015, the swap agreement was amended to fully match the swap notional amount with outstanding Revenue Refunding Bonds – Series 2014A. The restated aggregate notional amount of $9,890,000 was effective January 1, 2016. APMG will pay or receive a monthly settlement based on the difference between the fixed rate and the floating rate. During the year ended June 30, 2018, APMG paid interest expense of $70,000. As of June 30, 2018, the outstanding fair value of the agreement was $111,000, reported as a long-term investment. 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.

Reclassifications

Certain amounts presented in the 2017 financial statements have been reclassified to conform to the 2018 presentation. The reclassifications have no effect on reported amounts of total net assets or changes in net assets.

Subsequent Events

The Organization has considered subsequent events through October 1, 2018, the date of issuance of the consolidated financial statements, in preparing the consolidated financial statements and notes.

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 consolidated 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 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.

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).

Investments are carried at fair value. 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).

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2018, the Organization has committed to invest an additional $1,003,000 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 seven 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.

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

Financial assets measured at fair value on a recurring basis were as follows at June 30:

	Level 1	Level 2	Level 3	Total
Recurring Fair Value Measurements:				
Balanced Mutual Funds (1)	$ 170,006,000	$ -	$ -	$ 170,006,000
Money Market Funds	6,401,000	-	-	6,401,000
Government-Sponsored Enterprises Debt Securities	-	995,000	-	995,000
Corporate Certificates of Deposit and Notes	-	9,974,000	-	9,974,000
Fixed Income Mutual Funds	118,000	-	-	118,000
Endowment Funds Held by Others	-	-	32,883,000	32,883,000
Interest Rate Swaps	-	111,000	-	111,000
Total	$ 176,525,000	$ 11,080,000	$ 32,883,000	220,488,000
Investments Held at Cost				112,000
Investments Measured at Net Asset Value or its Equivalent				7,080,000
Total				$ 227,680,000

(1) Invested in American Funds Capital Income Builder-Class A ($55,303,000), T. Rowe Price Capital Appreciation Fund ($55,708,000), Oakmark Equity & Income Fund ($58,090,000), and other equity mutual funds ($905,000).

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Changes in recurring fair value measurements using Level 3 inputs for the year ended June 30, 2018 were as follows:

	Beneficial Interest in Trust	Endowment Funds Held by Others	Total
Beginning Investments at Fair Value	$ 3,106,000	$ 28,894,000	$ 32,000,000
Additions to Endowments	-	3,551,000	3,551,000
Distributions	(3,196,000)	(1,247,000)	(4,443,000)
Change in Value	90,000	1,685,000	1,775,000
Ending Investments at Fair Value	$ -	$ 32,883,000	$ 32,883,000

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.

NOTE 4 RECEIVABLES

Receivables Recognition

Program, 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, calculated using a two-year treasury bill rate, which were between 1.38% and 4.13%, were $234,000 at June 30, 2018. Amortization of the discount is reported on the support and earned revenue lines associated with the initial transaction within the consolidated statement of activities.

Conditional promises to give are not included as support until such time as the conditions are substantially met. At June 30, 2018, the Organization had received conditional pledges and grants receivable of $10,000,000 and conditional underwriting program receivables of approximately $14,130,000 that were not recorded in the consolidated financial statements because the conditions had not been met.

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 $539,000 at June 30, 2018 to provide for an estimate of accounts that may become uncollectible.

NOTE 4 RECEIVABLES (CONTINUED)

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.

Program Receivables

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

At June 30, 2018, program receivables, pledges receivable, and grants receivable (together, receivables) were due as follows:

In Less than One Year	$ 19,759,000
In One to Five Years	6,138,000
In Greater than Five Years	36,000
Total Receivables	$ 25,933,000

NOTE 5 INVESTMENTS

At June 30, 2018, the composition of investments were as follows:

Cash	$ 45,000
Money Market Funds	6,401,000
Government-Sponsored Enterprises Debt Securities	995,000
Corporate Certificates of Deposit and Notes	9,974,000
Balanced Mutual Funds	170,006,000
Fixed-Income Mutual Funds	118,000
Interest Rate Swap	111,000
Private Equities	7,192,000
Total	$ 194,842,000

For the year ended June 30, 2018, net investment return consisted of the following:

Net Investment Return:	
Interest and Dividend Income	$ 11,043,000
Realized Gain	1,574,000
Unrealized Loss	(2,833,000)
Change in Value of Interest Rate Swap	296,000
Change in Value of Endowment Funds Held by Others and Beneficial Interest in Trust	1,775,000
Total	$ 11,855,000

NOTE 6 BOARD-DESIGNATED AND DONOR-RESTRICTED ENDOWMENT

The Organization has board-designated and donor-restricted endowment funds managed by APMG (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 exceeds 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 5.5% of the 20-quarter average market value of the APMG Endowments through the calendar year-end preceding the fiscal year in which the distribution is planned. The Organization invests the APMG Endowments in publicly available mutual funds and private equity funds that meet investment objectives and minimize fees.

The Organization 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 for the benefit of MPR (the Earned Endowment). Contributions to the Earned Endowment have come from the proceeds of the sale of for-profit subsidiaries, appreciated assets, and other prepaid contracts (see Note 12) which are accounted for in the APMG Designated Fund. From time to time, additional amounts have been deposited into the Earned Endowment; APMG maintains variance power. A distribution from the Earned Endowment of $8,073,000 was made to MPR for the year ended June 30, 2018 in accordance with the investment spending policy. At June 30, 2018, the fair market value of the Earned Endowment held by APMG in the APMG Designated Fund was $163,498,000.

Changes in endowment net assets for the year ended June 30, 2018 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	$ 163,003,000	$ 596,000	$ 2,012,000	$ 165,611,000
Contributions to Donor-Restricted Endowment	-	-	22,000	22,000
Investment Income, Net of Investment Fees	9,977,000	181,000	-	10,158,000
Net Losses, Realized and Unrealized	(540,000)	(22,000)	-	(562,000)
Appropriation of Endowment Assets for Expenditure	(8,689,000)	(114,000)	-	(8,803,000)
Endowment Net Assets, End of Year	$ 163,751,000	$ 641,000	$ 2,034,000	$ 166,426,000

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment, net, at June 30, 2018 consisted of the following:

Cost:	
Land	$ 14,845,000
Building and Leasehold Improvements	62,741,000
Equipment	35,267,000
Construction in Progress	519,000
Total Cost	113,372,000
Less: Accumulated Depreciation and Amortization	(55,994,000)
Property and Equipment	$ 57,378,000

Total depreciation and leasehold amortization expense was $4,773,000 for the year ended June 30, 2018 and was recorded in the Property Fund.

NOTE 8 LONG-TERM DEBT

Long-term debt at June 30, 2018 included as follows:

Description	Amount
$9,040,000 fixed-rate, Housing and Redevelopment Authority of the City of Saint Paul Revenue Refunding Bonds (Minnesota Public Radio Project)—Series 2010 (Series 2010 bonds), issued at a premium, with interest due semiannually (2% to 5% as of June 30, 2018), maturing December 1, 2025. (1)	$ 5,501,000
$19,785,000 variable-rate, Florida Development Finance Corporation, Revenue Refunding Bonds—Series 2014A, with interest due monthly (2.89% as of June 30, 2018). (2)	9,565,000
$15,510,000 fixed-rate, Housing and Redevelopment Authority of the City of Saint Paul Revenue Refunding Bonds (Minnesota Public Radio Project)—Series 2014, with interest due semiannually (3.06% as of June 30, 2018). (3)	10,860,000
$4,479,500 fixed-rate, California Enterprise Development Authority Revenue Refunding Bonds (Southern California Public Radio Project)—Series 2014, with interest due semiannually (3.12% as of June 30, 2018). (4)	3,444,000
Total Long-Term Debt	29,370,000
Less: Amounts Due Within One Year	(2,776,000)
Less: Unamortized Bond Issuance Costs	(470,000)
Long-Term Portion	$ 26,124,000

NOTE 8 LONG-TERM DEBT (CONTINUED)

(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. The Series 2010 Bonds mature on December 1, 2025.

(2) The Florida Development Finance Corporation, Florida (the Issuer) issued Revenue Refunding Bonds (American Public Media Group Project), Series 2014A (Series 2014A Bonds), in the original aggregate principal amount of $19,785,000. The proceeds of the bonds were used to refund the outstanding principal amount of the Miami Dade Industrial Development Authority $22,300,000 Variable Rate Demand Revenue Bonds, Series 2008 (the Series 2008 Bonds), which provided financing to purchase the broadcast station in Miami, Florida.

The Series 2014A Bonds are structured as unrated and unenhanced variable-rate bonds purchased by US Bank National Association (the Bank) directly from the Issuer. On December 1, 2014, APMG entered into a continuing covenant agreement, in which the Bank agreed to purchase the Series 2014A Bonds directly from the Issuer for a period of 9.5 years ending June 1, 2024. At the end of the initial purchase period, the Bank will have the option to tender the Series 2014A Bonds or renew for an additional purchase period. Interest on the Series 2014A Bonds is payable monthly at the flex private placement variable rate commencing January 2, 2015. The Series 2014A Bonds were issued on December 1, 2014, and will mature on December 1, 2038, if not tendered in 2024.

(3) The Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (the Authority), issued Revenue Refunding Bonds (Minnesota Public Radio Project)—Series 2014 (Series 2014 Bonds) in the original aggregate principal amount of $15,510,000. The proceeds of the bonds were used to refund the outstanding principal amount of the Authority's $10,000,000 Variable Rate Demand Revenue Bonds, Series 2002 (the Series 2002 Bonds), which provided partial financing for the acquisition, remodeling and equipping of MPR's facilities located at 480 Cedar Street, Saint Paul, Minnesota; and the outstanding amount of the Port Authority of the City of Saint Paul Demand Revenue Bonds (Minnesota Public Radio Project)—Series 2005-7 (the Series 2005-7 Bonds), which financed the purchase of two noncommercial educational radio broadcast stations in the communities of Northfield, Minnesota; and Rochester, Minnesota.

The Series 2014 Bonds were issued on December 1, 2014, and will mature on May 1, 2025, and are structured as unrated and unenhanced bonds purchased by DNT Asset Trust (the Purchaser), a wholly owned subsidiary of JP Morgan Chase Bank N.A., directly from the Authority. On December 1, 2014, MPR entered into a continuing covenant agreement, in which the Purchaser agreed to purchase the Series 2014 Bonds directly from the Authority through May 1, 2025. The Series 2014 Bonds are secured by a guaranty provided by APMG whereby APMG guarantees the payments when due for the principal and interest. Interest on the Series 2014 Bonds is fixed at 3.06% and is payable semiannually, due on May 1 and November 1 over the life of the bonds.

NOTE 8 LONG-TERM DEBT (CONTINUED)

(4) The California Enterprise Development Authority, Sacramento, California (the Authority), issued Revenue Refunding Bonds (Southern California Public Radio Project)—Series 2014 (Series 2014 Bonds) in the original aggregate principal amount of $4,479,500. The proceeds of the Series 2014 Bonds were used to refund the outstanding principal amount of the California Infrastructure and Economic Development Bank $7,000,000 Variable Rate Demand Revenue Bonds, Series 2005 (the Series 2005 Bonds), which provided partial financing for the acquisition, remodeling and equipping of SCPR's facilities located at 474 South Raymond Avenue, Pasadena, California.

The Series 2014 Bonds were issued on December 1, 2014, will mature on September 1, 2025, and are structured as unrated and unenhanced bonds purchased by DNT Asset Trust (the Purchaser) – a wholly owned subsidiary of JP Morgan Chase Bank N.A., directly from the Authority. On December 1, 2014, SCPR entered into a continuing covenant agreement, in which the Purchaser agreed to purchase the Series 2014 Bonds directly from the Authority through September 1, 2025. The Series 2014 Bonds are secured by a guaranty provided by APMG whereby APMG guarantees the payments when due for the principal and interest. Interest on the Series 2014 Bonds is fixed at 3.12% and is payable semiannually, due on March 1 and September 1 over the life of the bonds.

In addition to certain nonfinancial covenants, the APM Group is required to maintain a liquidity ratio of no less than 1.2-to-1.0, and APMG excluding its affiliates is required to maintain a liquidity ratio of no less than 1.0-to-1.0.

On March 10, 2011, APMG entered into a revolving credit agreement with US 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% plus the one-month LIBOR. The line of credit expires on February 25, 2019, unless terminated sooner by APMG upon written notice to the Bank. As of June 30, 2018, the balance of the line of credit was $1,500,000.

The annual maturities of the long-term debt are as follows:

Year Ending June 30,	Amount
2019	$ 2,776,000
2020	2,857,000
2021	2,918,000
2022	2,995,000
2023	3,090,000
Thereafter	14,734,000
Total	$ 29,370,000

The Organization incurred $890,000 of interest expense on long-term debt during the year ended June 30, 2018.

NOTE 9 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 $3,155,000 for the year ended June 30, 2018.

Minimum future payments required under noncancelable operating leases as of June 30, 2018 are as follows:

Year Ending June 30,	Amount
2019	$ 2,785,000
2020	2,584,000
2021	2,522,000
2022	2,567,000
2023	2,643,000
Thereafter	20,315,000
Total	$ 33,416,000

NOTE 10 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, 2027.

NOTE 10 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Under the terms of the public service operating agreements, SCPR must maintain certain minimum regulatory and operating requirements and share revenues generated. Payments to the licensees under the terms of the operating agreements are as follows for the years ending June 30:

Years Ending June 30,	Amount
2018	$ 4,968,000
2019	4,498,000
2020	4,436,000
2021	4,370,000
2022	300,000
Thereafter	750,000
Total	$ 19,322,000

The Organization has commitments related to media content agreements of $19,322,000 through 2022.

NOTE 11 RETIREMENT PLANS AND DEFERRED COMPENSATION

The Organization has a 403(b) tax-deferred retirement plan (the Plan), which provides that qualified employees make contributions to the Plan through payroll deductions. For the year ended June 30, 2018, contributions were matched 100.0% by the Organization up to 6.5% of the employee's base compensation (matching contributions). The Organization provided $3,567,000 of matching contributions for the year ended June 30, 2018.

NOTE 12 DEFERRED REVENUE

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, 2018, the Organization recognized $806,000 as licensing fees in the consolidated statement of activities. As of June 30, 2018, $15,381,000 of deferred revenue related to the EBS contracts is included on the consolidated statement of financial position.

NOTE 12 DEFERRED REVENUE (CONTINUED)

On October 11, 2017 and on April 30, 2018 MPR executed an Asset Purchase Agreement to sell certain of its broadcast tower sites and lease contracts for a total of $16,598,000 to SBA Tower IX, LLC and concurrently entered in separate 20-year Site Agreements. Each 20-year Site Agreement includes two additional 10-year renewal periods, which allows MPR to maintain all its existing broadcast locations and transmission equipment to provide uninterrupted service to its audience. The buyer assumes the ownership rights and responsibilities including maintaining and improving the tower sites for MPR and the other lessees. As of June 30, 2018, $11,497,000 of deferred revenue related to the minimum future lease payments is included on the consolidated statement of financial position.

NOTE 13 RELATED PARTY CONTRIBUTIONS

During the year ended June 30, 2018, employees and members of the board of trustees provided contributions of $3,181,000 to the Organization.

AMERICAN PUBLIC MEDIA GROUP AND AFFILIATES
SCHEDULE OF CONSOLIDATING STATEMENT OF FINANCIAL POSITION
INFORMATION BY ENTITY
JUNE 30, 2018
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2017)
(IN THOUSANDS)

	APMG	MPR	SCPR	Eliminations	Consolidated Total 2018	Consolidated Total 2017
ASSETS						
Current Assets						
Cash and Cash Equivalents	$ 971	$ -	$ 2,694		$ 3,665	$ 2,853
Program Receivables, Net	182	8,629	1,936		10,747	21,702
Pledges Receivable, Net	-	2,985	2,262		5,247	4,686
Grants Receivable, Net	-	3,232	533		3,765	4,306
Investments - Interest in Investment Pool	-	9,719	842	(10,561)	-	-
Investments	11,193	844	-		12,037	10,918
Other Current Assets	390	1,206	233		1,829	2,161
Due from Affiliates	80	806		(886)	-	-
Total Current Assets	12,816	27,421	8,500	(11,447)	37,290	46,626
PROPERTY AND EQUIPMENT, NET	2	38,944	18,432	-	57,378	57,667
OTHER ASSETS						
Investments - Interest in Investment Pool	-	17,745	2,358	(20,103)	-	-
Investments	151,564	577	-	30,664	182,805	166,532
Endowment Funds Held by Others and Beneficial Interest in Trust	-	31,639	1,244		32,883	32,000
Program Receivables, Net	-	1	-		1	2
Pledges Receivable, Net	-	4,821	455		5,276	6,634
Grants Receivable, Net	-	849	48		897	2,202
Intangible Assets Not Subject to Amortization	-	18,696	1,864		20,560	20,560
Intangible Assets Subject to Amortization, Net	-	-	-		-	312
Other Long-Term Assets	-	240	41		281	266
Due from Affiliates	-	20,813	-	(20,813)	-	-
Total Other Assets	151,564	95,381	6,010	(10,252)	242,703	228,508
Total Assets	$ 164,382	$ 161,746	$ 32,942	$ (21,699)	$ 337,371	$ 332,801
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts Payables	$ 1,687	$ 3,209	$ 340		$ 5,236	$ 5,190
Current Portion of Long-Term Debt, Net	335	2,046	395		2,776	2,701
Line of Credit	1,500	-	-		1,500	500
Accrued Liabilities	1,587	5,696	2,568		9,851	7,044
Deferred Revenue	-	2,001	413		2,414	1,825
Other Current Liabilities	-	58	-		58	44
Due to Affiliates	806	-	80	(886)	-	-
Total Current Liabilities	5,915	13,010	3,796	(886)	21,835	17,304
OTHER LIABILITIES						
Long-Term Debt, Less Current Portion, Net	9,026	14,114	2,984		26,124	28,853
Interest Rate Swap	-	-	-		-	189
Deferred Revenue, Less Current Portion	-	25,850	-		25,850	15,649
Other Long-Term Liabilities	896	131	-		1,027	964
Loan from Affiliates	20,813	-	-	(20,813)	-	-
Total Other Liabilities	30,735	40,095	2,984	(20,813)	53,001	45,655
Total Liabilities	36,650	53,105	6,780	(21,699)	74,836	62,959
NET ASSETS						
Unrestricted	125,693	59,750	17,775	232	203,450	212,840
Temporarily Restricted	604	35,285	8,162	(232)	43,819	41,847
Permanently Restricted	1,435	13,606	225		15,266	15,155
Total Net Assets	127,732	108,641	26,162	-	262,535	269,842
Total Liabilities and Net Assets	$ 164,382	$ 161,746	$ 32,942	$ (21,699)	$ 337,371	$ 332,801

AMERICAN PUBLIC MEDIA GROUP AND AFFILIATES
SCHEDULE OF OPERATING FUND AND LONG-TERM ACTIVITIES
YEAR ENDED JUNE 30, 2018
(WITH COMPRATIVE TOTALS AS OF JUNE 30, 2017)
(IN THOUSANDS)

	APMG	MPR	SCPR	Eliminations	Consolidated Total 2018	Consolidated Total 2017
OPERATING FUND						
SUPPORT FROM PUBLIC						
Individual Gifts and Membership (Note 2)	$ 3	$ 15,182	$ 12,229		$ 27,414	$ 38,563
Regional Underwriting	-	10,889	9,562		20,451	20,607
National Underwriting	-	22,466	-		22,466	20,649
Business General Support	-	1,274	246		1,520	825
Foundations	-	2,386	952		3,338	4,649
Earned Endowment Draw	-	6,839	-		6,839	5,075
Intercompany Grants	-	879	179	(933)	125	500
Educational Sponsors	-	447	-		447	439
Other Public Support	-	-	(24)		(24)	78
Campaign Support	-	4,671	1,493		6,164	2,767
Total Support from Public	3	65,033	24,637	(933)	88,740	94,152
SUPPORT FROM GOVERNMENTAL AGENCIES						
Corporation for Public Broadcasting	-	4,083	1,680		5,763	5,659
Grants from Other Governmental Agencies	-	1,717	-		1,717	1,674
Total Support from Governmental Agencies	-	5,800	1,680	-	7,480	7,333
EARNED REVENUE						
Revenue from Operating Activities	-	22,266	187	(352)	22,101	18,798
Royalties and Licensing Fees	30	72	-		102	70
Investment Return, Net	23	1,409	-	(9)	1,423	1,242
Product Sales and Other Earned Revenue	8,418	5,162	102	(8,934)	4,748	12,992
Total Earned Revenue	8,471	28,909	289	(9,295)	28,374	33,102
Total Support and Earned Revenue	8,474	99,742	26,606	(10,228)	124,594	134,587
EXPENSES						
Operations	7,139	81,224	19,290	(1,518)	106,135	106,918
Selling, General, and Administrative	1,565	13,671	4,630	(7,945)	11,921	11,138
Fundraising	-	11,500	6,890	(10)	18,380	17,062
Grants to Affiliates	2	-	-	(2)	-	-
Total Expenses	8,706	106,395	30,810	(9,475)	136,436	135,118
Support and Earned Revenue in Excess of (Less than) Expenses Before Long-Term Activities	(232)	(6,653)	(4,204)	(753)	(11,842)	(531)
LONG-TERM ACTIVITIES						
Designated Fund Net Change	1,454	872	(460)	824	2,690	13,534
Designated Fund Support from Operating	-	-	500		500	2,740
Property Fund Net Change	59	(1,985)	1,291	(103)	(738)	(2,684)
Temporarily Restricted Net Change	31	1,240	669	32	1,972	16,145
Permanently Restricted Net Change	-	111	-	-	111	414
CHANGE IN NET ASSETS (DEFICIT)	1,312	(6,415)	(2,204)	-	(7,307)	29,618
Net Assets - Beginning of Year	126,420	115,056	28,366	-	269,842	240,224
NET ASSETS - END OF YEAR	$ 127,732	$ 108,641	$ 26,162	$ -	$ 262,535	$ 269,842

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