CONSOLIDATED FINANCIAL REPORT
June 30, 2015

Minnesota Public Radio and Subsidiaries
(An Affiliated Organization of American Public Media Group)

MINNESOTA PUBLIC RADIO®

Contents

McGladrey

Independent Auditor's Report

To the Board of Trustees
Minnesota Public Radio
St. Paul, Minnesota

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Minnesota Public Radio and Subsidiaries (the Organization), which comprise the consolidated statement of financial position as of June 30, 2015, 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 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 Minnesota Public Radio and Subsidiaries as of June 30, 2015, 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 2014 consolidated financial statements and supplemental information, and we expressed an unmodified audit opinion and in-relation-to opinion on those audited consolidated financial statements and supplemental information, respectively, in our report dated October 14, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, 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 additional Operating Fund, Property Fund and Designated Fund information presented in the consolidated statement of activities for 2015 and the supplemental information on page 22 are presented for the purpose of additional analysis of the consolidated financial statements, rather than to present the results of operations of the individual funds, and are not a required part of the consolidated financial statements. Such additional 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.

McGladrey LLP

Minneapolis, Minnesota
October 14, 2015

Minnesota Public Radio and Subsidiaries
(An Affiliated Organization of American Public Media Group)

Consolidated Statement of Activities
Year Ended June 30, 2015, With Comparative Totals for the Year Ended June 30, 2014
(In Thousands)

	Year Ended June 30, 2015								Year Ended June 30, 2014
	Unrestricted								
	Operating Fund	Property Fund	Designated Fund	Eliminations	Total	Temporarily Restricted	Permanently Restricted	**Consolidated Total**	Consolidated Total
Support from public:									
Individual gifts and membership	$ 18,996	$ -	$ 327	$ -	$ 19,323	$ 1,469	$ 200	**$ 20,992**	$ 20,785
Individual gifts and membership—released from restriction (rfr)	1,980	10	-	-	1,990	(1,990)	-	**-**	-
Regional underwriting	10,796	-	-	-	10,796	55	-	**10,851**	10,215
Regional underwriting—rfr	55	-	-	-	55	(55)	-	**-**	-
National underwriting	17,003	-	-	-	17,003	-	-	**17,003**	13,641
Business general support	276	-	-	-	276	481	-	**757**	1,277
Business general support—rfr	525	-	-	-	525	(525)	-	**-**	-
Foundations	-	-	-	-	-	2,975	-	**2,975**	5,829
Foundations—rfr	3,703	-	-	-	3,703	(3,703)	-	**-**	-
Grant from APMG Earned Endowment (Note 13)	4,109	-	2,329		6,438	-	-	**6,438**	6,343
Other intercompany grants	108	1,483	-	(1,483)	108	82	-	**190**	65
Other intercompany grants—rfr	56	-	-	-	56	(56)	-	**-**	-
Educational sponsors	454	-	-	-	454	-	-	**454**	477
Other public support	126	74	-	-	200	3	-	**203**	(19)
Campaign support	-	-	-	-	-	1,212	-	**1,212**	-
Campaign support—rfr	205	231	-	-	436	(436)	-	**-**	-
Total support from public	58,392	1,798	2,656	(1,483)	61,363	(488)	200	**61,075**	58,613
Support from governmental agencies:									
Corporation for Public Broadcasting	-	-	-	-	-	4,574	-	**4,574**	3,839
Corporation for Public Broadcasting—rfr	4,179	-	-	-	4,179	(4,179)	-	**-**	-
Grants from other governmental agencies	-	378	-	-	378	4,196	-	**4,574**	427
Grants from other governmental agencies—rfr	1,619	482	-	-	2,101	(2,101)	-	**-**	-
Total support from governmental agencies	5,798	860	-	-	6,658	2,490	-	**9,148**	4,266
Earned revenue:									
Earned operating activities	22,130	-	-	(75)	22,055	-	-	**22,055**	23,809
Royalties and licensing fees (Note 14)	163	-	806	-	969	-	-	**969**	955
Investment return, net (Note 5)	1,085	253	1,696	-	3,034	(103)	(21)	**2,910**	5,745
Other earned revenue	3,439	4	-	(307)	3,136	-	-	**3,136**	3,807
Total earned revenue	26,817	257	2,502	(382)	29,194	(103)	(21)	**29,070**	34,316
Total support and earned revenue	91,007	2,915	5,158	(1,865)	97,215	1,899	179	**99,293**	97,195
Expenses and losses:									
Operations	68,485	3,866	140	(704)	71,787	-	-	**71,787**	71,056
Selling, general and administrative	11,469	937	-	(28)	12,378	-	-	**12,378**	11,338
Fundraising	11,025	393	598	-	12,016	-	-	**12,016**	10,968
Grants to APMG (Note 13)	-	-	2,711	(1,133)	1,578	-	-	**1,578**	1,623
Total expenses	90,979	5,196	3,449	(1,865)	97,759	-	-	**97,759**	94,985
Loss on debt extinguishment (Note 9)	-	114	-	-	114	-	-	**114**	-
Total expenses and losses	90,979	5,310	3,449	(1,865)	97,873	-	-	**97,873**	94,985
Change in net assets	28	(2,395)	1,709	-	(658)	1,899	179	**1,420**	2,210
Net assets—beginning of year	1,108	37,458	24,259	-	62,825	20,718	13,031	**96,574**	94,364
Net assets—end of year	$ 1,136	$ 35,063	$ 25,968	$ -	$ 62,167	$ 22,617	$ 13,210	**$ 97,994**	$ 96,574

See Notes to Consolidated Financial Statements.

Minnesota Public Radio and Subsidiaries
(An Affiliated Organization of American Public Media Group)

Consolidated Statement of Financial Position
June 30, 2015, With Comparative Totals as of June 30, 2014
(In Thousands)

Assets	**2015**	2014
Current Assets		
Trade receivables, net (Note 4)	**$ 14,880**	$ 13,762
Pledges receivable, net (Note 4)	**1**	-
Grants receivable, net (Note 4)	**5,063**	4,128
Interest in investment pool (Note 5)	**2,456**	3,109
Prepaid expenses	**1,523**	1,119
Inventory	**155**	117
Note receivable from APMG (Note 13)	**806**	806
Other	**433**	552
Total current assets	**25,317**	23,593
Property and Equipment, net (Note 7)	**43,077**	43,705
Other Assets		
Investments (Note 5)	**589**	449
Interest in investment pool (Note 5)	**5,521**	7,416
Endowment funds held by others and beneficial interest in trust (Note 2)	**30,013**	30,080
Trade receivables, net (Note 4)	**1**	3
Pledges receivable, capital campaign, net (Note 4)	**10**	10
Grants receivable, net (Note 4)	**2,911**	2,220
Affiliate receivable (Note 13)	**5,964**	5,906
Broadcast licenses not subject to amortization (Note 8)	**18,267**	18,267
Intangible assets subject to amortization, net (Note 8)	**389**	12
Note receivable from APMG, less current portion (Note 13)	**16,992**	17,798
Other long-term assets	**714**	263
Total other assets	**81,371**	82,424
Total assets	**$ 149,765**	$ 149,722
Liabilities and Net Assets		
Current Liabilities		
Trade payables	**$ 3,357**	$ 2,618
Current portion of long-term obligations, net (Note 9)	**2,250**	1,978
Accrued liabilities	**6,192**	5,539
Deferred revenue	**2,017**	2,580
Interest rate swap (Notes 2 and 3)	**160**	-
Total current liabilities	**13,976**	12,715
Long-Term Liabilities		
Long-term obligations, less current portion, net (Note 9)	**20,803**	22,227
Interest rate swap (Notes 2 and 3)	**-**	408
Deferred revenue, less current portion (Note 14)	**16,992**	17,798
Total liabilities	**51,771**	53,148
Commitments and Contingencies (Notes 9, 10 and 11)		
Net Assets		
Unrestricted	**62,167**	62,825
Temporarily restricted	**22,617**	20,718
Permanently restricted	**13,210**	13,031
Total net assets	**97,994**	96,574
Total liabilities and net assets	**$ 149,765**	$ 149,722

See Notes to Consolidated Financial Statements.

Minnesota Public Radio and Subsidiaries
(An Affiliated Organization of American Public Media Group)

Consolidated Statement of Cash Flows
Year Ended June 30, 2015, With Comparative Totals for the Year Ended June 30, 2014
(In Thousands)

	2015	2014
Cash Flows From Operating Activities		
Change in net assets	**$ 1,420**	$ 2,210
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**4,289**	4,254
Unrealized gains on investments and interest rate swap	**(185)**	(262)
Change in value of endowment funds held by others and beneficial interest in trust	**(941)**	(4,618)
Contributions and grants restricted for capital projects and permanent endowment	**(1,088)**	(203)
Grant to APMG	**806**	805
Loan forgiveness—City of Saint Paul	**(312)**	(294)
Loss on debt extinguishment	**114**	-
(Increase) decrease in assets:		
Trade and pledges receivable, net	**(1,116)**	(86)
Grants receivable, net	**(855)**	2,135
Prepaid expenses	**(403)**	(113)
Inventory and other assets	**(325)**	(34)
Due from (to) affiliate	**(58)**	142
Increase (decrease) in liabilities:		
Trade payable and accrued liabilities	**1,366**	(83)
Deferred revenue and refundable advance	**(1,369)**	(842)
Total adjustments	**(77)**	801
Net cash provided by operating activities	**1,343**	3,011
Cash Flows From Investing Activities		
Purchase of property and equipment	**(3,582)**	(3,648)
Purchase of investments	**(329)**	(119)
Proceeds from sale of investments	**122**	12
Change in interest in investment pool, net	**2,548**	1,487
Purchase of intangible assets	**(405)**	-
Additions to endowment funds held by others and beneficial interest in trust	**(86)**	(504)
Distributions from endowment funds held by others and beneficial interest in trust	**1,094**	1,023
Net cash used in investing activities	**(638)**	(1,749)
Cash Flows From Financing Activities		
Receipts of contributions and grants restricted for capital projects and permanent endowment	**316**	311
Principal payments on long-term obligations	**(16,406)**	(1,573)
Debt issuance cost	**(185)**	-
Borrowings on long-term debt	**15,570**	-
Net cash used in financing activities	**(705)**	(1,262)
Net change in cash and cash equivalents	**-**	-
Cash and Cash Equivalents—beginning of year	**-**	-
Cash and Cash Equivalents—end of year	**$ -**	$ -

(Continued)

Minnesota Public Radio and Subsidiaries
(An Affiliated Organization of American Public Media Group)

Consolidated Statement of Cash Flows (Continued)
Year Ended June 30, 2015, With Comparative Totals for the Year Ended June 30, 2014
(In Thousands)

	2015	2014
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for interest	**$ 739**	$ 620
Supplemental Disclosures of Noncash Investing and Operating Activities		
Addition to property and equipment funded through trade payable	**$ 77**	$ 102
Reduction of loan to APMG including interest, via grant	**$ 1,578**	$ 1,611
Loss on debt extinguishment	**$ 114**	$ -

See Notes to Consolidated Financial Statements.

Note 1. Nature of Business and Organization

Organization and description of business: Minnesota Public Radio (MPR) is a not-for-profit organization whose mission is to enrich the mind and nourish the spirit, thereby enhancing the lives and expanding the perspectives of its audiences, and assisting them in strengthening their communities.

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."

MPR is the parent organization of The Fitzgerald Theater Company (FTC), a not-for-profit organization whose purpose is to maintain and operate the Fitzgerald Theater in Saint Paul, Minnesota, and to provide valuable rehearsal and performance space for noncommercial educational public radio programs and for not-for-profit community performing arts organizations. MPR has the ability to elect the FTC Board of Trustees. MPR is the sole member of two limited liability companies, Olmsted Springs, LLC (OLM) and American Public Media Foundation (APMF), whose respective purposes are to operate the broadcast tower site located in south central Minnesota and to solicit certain contributions. MPR, FTC, OLM and APMF are referred to as "the Organization."

American Public Media Group (APMG) is the not-for-profit parent support organization of MPR, Southern California Public Radio (SCPR), Classical South Florida (CSF) and other affiliates (together, the APM Group). APMG's primary purpose is to provide financial and management support services to MPR, FTC, SCPR and CSF. APMG has the ability to elect, or to approve the election of, a majority of the MPR Board of Trustees and all of the CSF and SCPR Boards of Trustees.

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 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 support of the operations of the Organization. The Organization maintains the following unrestricted funds:

Operating Fund: The Operating Fund is maintained to account for general-purpose support and revenues and to account for expenses associated with the day-to-day operations of the Organization.

Property Fund: The Property Fund is maintained to acquire and account for all land, buildings, building improvements, equipment, and broadcast licenses and certain other intangibles owned by the Organization.

Designated Fund: The Designated Fund is maintained to account for funds intended to ensure the long-term financial health of the Organization. The MPR Designated Fund also receives grants and bequests related to planned giving efforts and receives gifts from sources designated from time to time by the MPR Board of Trustees. Financial assets in the Designated Fund are available to the Operating Fund to provide for cash flow needs.

Note 2. Summary of Significant Accounting Policies (Continued)

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 (e.g., individual gifts and membership—released from restriction (rfr)). For example: when a donor specifies its contribution is to support MPR for a three-year period, MPR recognizes all the future support as temporarily restricted in the year the contribution is first made; MPR 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 endowment funds are restricted until drawn upon.

Temporarily restricted net assets at June 30, 2015, were restricted for the following purposes:

Program support	$ 9,025,000
Capital projects	908,000
Undistributed earnings on endowment funds held by others	12,684,000
Total	$ 22,617,000

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, 2015, consisted of the following:

Endowment funds held by others	$ 9,751,000
Beneficial interest in trust	3,107,000
Named endowments	352,000
Total	$ 13,210,000

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, 2014: 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, 2014, from which the summarized information was derived. Consolidated financial statements for the prior year are available on MPR’s website, mpr.org. In the prior-year summarized comparative information, certain items have been reclassified to conform to the 2015 presentation. These classifications had no impact on change in net assets as previously presented.

Treasury management: The Organization is a member of a centralized treasury management system with its parent, APMG, in order to maximize economies of scale and investment returns on its treasury assets. At the end of each business day, the net cash activity recorded by the Organization’s financial institution is transferred to APMG, and a reciprocal amount is recorded by the Organization as due to/from parent. The Organization also maintains funds identified for long-term uses in APMG’s interest in investment pool (also see Note 5). Portions of the interest in investment pool are used to meet the Organization’s cyclical demands for working capital.

Note 2. Summary of Significant Accounting Policies (Continued)

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 (e.g., individual gifts and membership—released from restriction (rfr)). 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 messages within MPR programming (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, 2015, barter support of $968,000 and barter expenses of $1,083,000 are reflected in the consolidated statement of activities. To the extent cash or barter assets (support) is received before the spots are run, the support is reported as deferred revenue in the statement of financial position.

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 the 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.

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

Inventories: Inventories are stated at the lower of cost or market and are tested at least annually for slow-moving and obsolete items.

Note 2. Summary of Significant Accounting Policies (Continued)

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:

	Years
Building	32–45
Equipment	3–20

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

Investments, including interest in investment pool: Investments are carried 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). Cash and money market funds that the Organization intends to utilize for long-term projects are reported as other assets.

Endowment funds held by others: The Organization 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 5.0 percent for the year ended June 30, 2015, 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. Because MPR retains variance power but is unable to set the spending rate, the Fund is not an endowment fund as defined by the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The endowment fund held by others is stated at fair value. 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.

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 reported as decreases to permanently restricted net assets and increases to unrestricted net assets, within investment return, net, in the consolidated statement of activities.

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 recorded at cost and 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 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.

Note 2. Summary of Significant Accounting Policies (Continued)

The Organization tests broadcast licenses for impairment by first assessing qualitative factors to determine the existence of events and circumstances that indicate that it is more likely than not that the indefinite-lived intangible assets are 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, then it determines the fair value of the indefinite-lived intangible assets and performs a quantitative impairment test by comparing the fair value with the carrying amount.

The Organization used qualitative factors to assess impairment of its broadcast licenses. Management determined that it was not more likely than not that the broadcast licenses were impaired, and no further action was taken.

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 has not identified any indicators of impairment associated with its long-lived assets, and no impairment was recorded for the year ended June 30, 2015.

Other assets: Other assets include barter assets and debt issuance costs. Barter assets are initially recorded at fair market value and expensed as the goods or services are used or received. Debt issuance costs include capitalized bond issuance costs, which are recorded at historical cost and amortized over the life of the bonds using a method that approximates the effective-interest method.

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, administrative and fundraising activities. Most 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: Both MPR and FTC are organized under Chapter 317 of Minnesota Statutes as not-for-profit organizations. The Internal Revenue Service (IRS) has determined that MPR 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)(1) as an organization 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 MPR and FTC are both exempt from Minnesota income taxes under Section 290.05 Subdivision 9 of Minnesota Statutes.

Note 2. Summary of Significant Accounting Policies (Continued)

The Organization is engaged in certain activities that result in unrelated business income. For the year ended June 30, 2015, MPR recorded an estimated tax expense included in administrative expenses that amounted to $59,000.

The Organization has 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, 2012. The Organization has reviewed its tax positions for all open tax years and has concluded that there are no uncertain tax positions that require recognition.

Interest rate swap: The Organization makes use of an interest rate swap to manage its overall interest rate exposure. Other than the interest rate swap, the Organization has no other freestanding or embedded derivatives.

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, 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 London interbank offered rate. MPR pays or receives a monthly settlement based on the difference between the fixed and floating rates. During the year ended June 30, 2015, MPR paid interest expense of $264,000 and received no interest income toward the monthly swap settlement, which is shown as a part of operations expense on the consolidated statement of activities. As of June 30, 2015, the notional amount of the swap is $7,330,000. 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, 2015, the outstanding fair value of the agreement was $160,000, reported as a current 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 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. Estimates also affect the reported amounts of support, revenue and expenses during the period. Actual results could differ from those estimates.

Note 2. Summary of Significant Accounting Policies (Continued)

Recent accounting pronouncements:

Revenue recognition: In May 2014, the Financial Accounting Standards Board (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, 2017, with early adoption permitted only as of annual reporting periods beginning after December 15, 2016, 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.

Subsequent events: The Organization has considered subsequent events through October 14, 2015, the date of issuance, in preparing the consolidated financial statements and notes; there were none to report.

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.

Note 3. Fair Value Measurements (Continued)

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 and mutual funds are based on quoted market prices. Fair value of the interest in investment pool is equal to the Organization's allocated share of the fair value of securities within the pool. The Organization invests in private equities, an asset class consisting of equity investments in operating companies that are not publically traded on a stock exchange (collectively, private equities). Fair value of private equities is equal to the Organization's share in joint venture, partnership or similar arrangement with a taxable entity. The endowment fund held by others and the beneficial interest in trust are recorded at the fair value of the underlying investments. 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).

Financial assets and liabilities measured at fair market value on a recurring basis were as follows:

	June 30, 2015			
	Level 1	Level 2	Level 3	Total
Interest in APMG investment pool	$ -	$ 7,977,000	$ -	$ 7,977,000
Fixed-income mutual funds	58,000	-	-	58,000
Equity mutual funds	466,000	-	-	466,000
Private equities	-	-	65,000	65,000
Beneficial interest in trust	-	-	3,107,000	3,107,000
Endowment fund held by others	-	-	26,906,000	26,906,000
Interest rate swap	-	(160,000)	-	(160,000)
Total	$ 524,000	$ 7,817,000	$ 30,078,000	$ 38,419,000

Changes in fair value measurements using Level 3 inputs for the year ended June 30, 2015, were as follows:

	Private Equities	Beneficial Interest in Trust	Endowment Fund Held by Others	Total
Beginning investments at fair value	$ 237,000	$ 3,130,000	$ 26,950,000	$ 30,317,000
Additions to endowments	-	-	86,000	86,000
Distributions	-	(42,000)	(1,052,000)	(1,094,000)
Unrealized losses	(50,000)	-	-	(50,000)
Change in value	(122,000)	19,000	922,000	819,000
Ending investments at fair value	$ 65,000	$ 3,107,000	$ 26,906,000	$ 30,078,000

The unrealized losses of $50,000 included in the consolidated statement of activities relate to investments held at June 30, 2015.

Note 3. Fair Value Measurements (Continued)

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: Trade, pledges and grants receivable (receivables) 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, using discount rates applicable to the years in which the promises are received. The present value discount was $39,000 at June 30, 2015. Amortization of the discount is reported on the support from public and governmental agencies lines associated with the initial transactions 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, 2015, the Organization had received conditional pledges and grants of $10,150,000 and conditional underwriting trade receivables of approximately $8,320,000 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 an allowance for doubtful accounts of $1,132,000 at June 30, 2015.

Pledges receivable: Pledges receivable consist of unconditional promises to give to a finite special-purpose fundraising campaign.

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.

Net trade, pledges and grants receivable at June 30, 2015, were due as follows:

In less than one year	$ 19,944,000
In one to five years	2,914,000
In greater than five years	8,000
Total	$ 22,866,000

Note 5. Investments

The Organization uses fair value measurements to record the following investments. For additional information on how the Organization measures fair value, see Note 3—Fair Value Measurements.

Investments at June 30, 2015, consisted of the following:

Interest in investment pool	$ 7,977,000
Fixed-income mutual funds	58,000
Equity mutual funds	466,000
Private equities	65,000
Total	$ 8,566,000

Net investment return for the year ended June 30, 2015, consisted of the following:

Interest income	$ 827,000
Realized gains, net	956,000
Unrealized losses, net	(62,000)
Change in value of interest rate swap	248,000
Change in value of endowment funds held by others and beneficial interest in trust	941,000
Total	$ 2,910,000

Investments are reported in the statement of financial position based on the Organization's intended use. MPR's interest in investment pool was $7,977,000 at June 30, 2015. The investment pool consists of fixed-income securities (government-sponsored enterprises and corporate certificates of deposit and notes), cash, and cash equivalents (money market fund and investments in government-sponsored enterprises with original maturities of three months or less) held by APMG. The funds held by APMG represent actual funds on hand at APMG and are available to MPR. Investment return is allocated to MPR on a monthly basis based upon the average investment balances.

Note 6. Donor-Restricted Endowment

MPR has created donor-restricted endowment funds to support programming. The investment and spending policies for these endowment funds include objectives to provide a predictable stream of funding to the programs supported and to maintain the purchasing power of the endowment funds. The spending policy designates an annual distribution of 5.0 percent of the 20-quarter average market value of the endowments' assets. Annual distributions will commence once contributions to an endowment fund reach $50,000. A distribution of $3,000 was made for the year ended June 30, 2015, to support classical music content.

The original value of support to a donor-restricted endowment is classified 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.

Note 6. Donor-Restricted Endowment (Continued)

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

	Year Ended June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 4,000	$ 152,000	$ 156,000
Contributions to endowment	-	-	200,000	200,000
Investment income, net of investment fees	-	7,000	-	7,000
Net losses, realized and unrealized	-	(8,000)	-	(8,000)
Appropriation of endowment assets for expenditure	-	(3,000)	-	(3,000)
Endowment net assets, end of year	$ -	$ -	$ 352,000	$ 352,000

Note 7. Property and Equipment

Property and equipment at June 30, 2015, consisted of the following:

Property and equipment:	
Land	$ 8,702,000
Building and leasehold improvements	46,185,000
Equipment	37,896,000
Construction in progress	530,000
Total	93,313,000
Less accumulated depreciation and amortization	50,236,000
Net property and equipment	$ 43,077,000

Total depreciation expense and amortization of leasehold improvements was $4,235,000 for the year ended June 30, 2015, and was recorded in the Property Fund.

Construction in progress: Construction in progress at June 30, 2015, represents costs incurred in connection with the acquisition and implementation of media infrastructure projects.

Note 8. Broadcast Licenses and Other Intangibles

Broadcast licenses and other intangibles at June 30, 2015, consisted of the following:

	Weighted-Average Remaining Life in Years	2015
Intangibles subject to amortization (revenue contracts)	10.50	$ 405,000
Less accumulated amortization		16,000
		389,000
Broadcast licenses (not subject to amortization)		18,267,000
Total		$ 18,656,000

Total amortization expense charged to operations was $28,000 for the year ended June 30, 2015, and is recorded in operations expense on the consolidated statement of activities.

Note 9. Long-Term Obligations

Long-term obligations at June 30, 2015, consisted of the following:

$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, 2015), maturing December 1, 2025	$ 7,240,000
$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 (2.52% as of June 30, 2015), maturing May 1, 2025	14,960,000
$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 continues to meet certain employment commitments.	688,000
Charitable gift annuities payable	105,000
Capital lease obligation	60,000
Total long-term obligations	23,053,000
Less amounts due within one year	2,250,000
Long-term portion	$ 20,803,000

The Series 2010 bonds are secured by a guaranty provided by American Public Media Group, whereby APMG guarantees the payments when due for the principal and interest on the Series 2010 bonds. In addition to certain nonfinancial covenants, APMG is required to maintain a ratio of unrestricted cash and investments to indebtedness of no less than 1.0-to-1.0.

Note 9. Long-Term Obligations (Continued)

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, WCAL (FM), Northfield, Minnesota, and KMSE (FM), 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 2014 Series Bonds is fixed at 2.52 percent and is payable semiannually, due on May 1 and November 1, commencing May 1, 2015, and continuing through maturity.

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.

Capitalized lease obligations are due monthly through 2019. Lease terms and rates vary; discount rates are between 3.8 percent and 6.7 percent.

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

Years Ending June 30,	
2016	$ 2,250,000
2017	2,325,000
2018	2,019,000
2019	2,075,000
2020	2,153,000
Thereafter	12,231,000
Total	$ 23,053,000

The Organization incurred $870,000 of interest expense on long-term obligations during the year ended June 30, 2015.

Note 10. Leases

The Organization leases office, studio and transmission facilities under noncancelable operating leases. Total rent expense for all operating leases, including month-to-month leases and one-time rentals, was $1,788,000 for the year ended June 30, 2015.

Minimum future payments required under noncancelable operating leases as of June 30, 2015, are as follows:

Years Ending June 30,	
2016	$ 1,322,000
2017	1,423,000
2018	1,469,000
2019	1,467,000
2020	648,000
Thereafter	3,226,000
Total	$ 9,555,000

Note 11. Contingencies

MPR 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 Organization's operations or consolidated financial position.

Note 12. Retirement Plan

The Organization participates in APMG's 403(b) tax-deferred retirement plan (the Plan), which provides for qualified employees to make required and supplemental contributions to the Plan through payroll deductions. For the year ended June 30, 2015, required employee contributions were matched 100 percent by the Organization up to 6.5 percent of qualified employees' 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 made required matching contributions of $1,933,000 for the year ended June 30, 2015.

Note 13. Affiliated and Related-Party Organizations

The Organization is charged by APMG for its share of various administrative services and costs incurred on its behalf. For the year ended June 30, 2015, these charges totaled $6,075,000 and are included in administrative expenses.

For the year ended June 30, 2015, MPR charged SCPR $953,000 for providing various operational services and facilities costs. These payments of $320,000 and $633,000 are reflected in other earned revenue and revenue from operating activities, respectively, for MPR. MPR provided a grant to SCPR for programming services of $159,000, which is included in operations expenses on the consolidated statement of activities.

Note 13. Affiliated and Related-Party Organizations (Continued)

MPR charged CSF $255,000 for personnel costs incurred on its behalf related to programming and operating costs during the year ended June 30, 2015, which are reflected in other earned revenue. MPR provided a grant of programming services to CSF in the amount of $26,000 for the year ended June 30, 2015, which is reflected as revenue from operating activities and operations expense on the consolidated statement of activities.

In 1998, the APMG Board of Trustees created a quasi-endowment that included contributions from the proceeds of the sale of for-profit subsidiaries, appreciated assets, and other prepaid contracts for the benefit of MPR (the Earned Endowment). The investment policy adopted by the APMG Board of Trustees includes a spending policy designating an annual distribution of 5.0 percent of the five-year average market value of the Earned Endowment. APMG granted $6,438,000 for the year ended June 30, 2015, to MPR from the Earned Endowment. Under its terms, APMG maintains variance power over the Earned Endowment. As a result, the Earned Endowment is an asset of APMG, and MPR recognizes grants from APMG when received. At June 30, 2015, the fair market value of the Earned Endowment held by APMG was $158,086,000.

The MPR Board of Trustees approved a note in the amount of $24,168,000 to APMG. The note, which bears interest at 4.2 percent, is to be repaid over a period of 30 years. For the year ended June 30, 2015, $806,000 due to be repaid on the note and $772,000 of accrued interest was forgiven by a grant to APMG from MPR (also see Note 14).

In 2002, APMG pledged $7,000,000 to support MPR’s capital campaign project. APMG has the authority to make payments on this pledge with amounts and timing at its discretion. APMG will at least make payments to the extent needed by MPR to repay MPR’s bonds as they become due. The pledge balance at June 30, 2015, was $5,964,000, net of present value discount of $767,000, and is reflected as affiliate receivable in the consolidated statement of financial position.

Note 14. Educational Broadband Service (EBS) Frequencies Contracts

In 2008, the Organization 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 EBS frequencies. Under the terms of the contracts, MPR remains the licensee on the EBS frequencies and has responsibility for compliance with all educational and other requirements imposed by the FCC. The contracts provided that total lease payments of $25,000,000 be paid at the inception of the agreements. 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 being recognized over the 30-year lease term on a straight-line basis. During the year ended June 30, 2015, the Organization recognized $806,000 as licensing fees in the consolidated statement of activities. As of June 30, 2015, $17,798,000 of deferred revenue related to the EBS contracts is included on the consolidated statement of financial position.

Supplemental Information

Minnesota Public Radio and Subsidiaries
(An Affiliated Organization of American Public Media Group)

Schedule of Operating Fund and Long-Term Activities
Year Ended June 30, 2015, With Comparative Totals for the Year Ended June 30, 2014
(In Thousands)

	2015	2014
Operating Fund:		
Support from public:		
Individual gifts and membership	**$ 20,976**	$ 19,995
Regional underwriting	**10,851**	10,243
National underwriting	**17,003**	13,641
Business general support	**801**	910
Foundations	**3,703**	5,185
Grant from APMG Earned Endowment	**4,109**	3,539
Other intercompany grants	**164**	-
Educational sponsors	**454**	477
Other public support	**126**	606
Campaign support	**205**	-
Total support from public	**58,392**	54,596
Support from governmental agencies:		
Corporation for Public Broadcasting	**4,179**	4,228
Grants from other governmental agencies	**1,619**	1,497
Total support from governmental agencies	**5,798**	5,725
Earned revenue:		
Revenue from operating activities	**22,130**	23,891
Royalties and licensing fees	**163**	149
Investment return, net	**1,085**	1,012
Other earned revenue	**3,439**	3,423
Total earned revenue	**26,817**	28,475
Total support and earned revenue	**91,007**	88,796
Expenses:		
Operations	**68,485**	67,768
Administrative	**11,469**	10,581
Fundraising	**11,025**	10,293
Total expenses	**90,979**	88,642
Support and revenues in excess of expenses before long-term activities	**28**	154
Long-term activities:		
Designated Fund support from operations	**1,428**	1,859
Designated Fund net change	**281**	1,322
Property Fund net change	**(2,395)**	(2,990)
Temporarily restricted net change	**1,899**	1,333
Permanently restricted net change	**179**	532
Change in net assets	**1,420**	2,210
Net assets—beginning of year	**96,574**	94,364
Net assets—end of year	**$ 97,994**	$ 96,574

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