Chicago Public Media, Inc.

Consolidated Financial Report
June 30, 2015

Contents

Independent Auditor's Report

To the Board of Directors
Chicago Public Media, Inc.

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Chicago Public Media, Inc. (the Organization), which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Chicago Public Media, Inc. as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Chicago, Illinois
November 30, 2015

Chicago Public Media, Inc.

Consolidated Statements of Financial Position
June 30, 2015 and 2014

	2015	2014
Assets		
Cash	$ 7,347,776	$ 2,199,637
Underwriting and other receivables (net of allowances of $51,416 and $185,600, respectively)	2,625,903	1,685,604
Grants receivable	477,917	739,775
Campaign for a Sound Future pledges receivable, net	463,250	583,534
Pledges receivable, net	1,001,768	1,475,274
Note receivable	265,555	-
Prepaid expense	222,771	245,237
Investments	28,880,161	27,426,617
Bond issuance and other related costs	219,263	227,935
Property and equipment, net	14,585,474	15,750,583
Frequency rights and other intangible assets	1,120,414	1,120,414
	$ 57,210,252	$ 51,454,610
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$ 694,971	$ 583,373
Accrued expenses	1,816,369	1,897,890
Other liabilities	4,228,138	-
Deferred revenue	771,176	26,755
Promissory note payable	1,444,426	1,611,094
Revenue bonds payable	22,000,000	22,000,000
Liability under swap agreement	905,305	1,006,712
	31,860,385	27,125,824
Net assets:		
Unrestricted	23,958,147	21,908,347
Temporarily restricted	1,391,720	2,420,439
	25,349,867	24,328,786
	$ 57,210,252	$ 51,454,610

See notes to consolidated financial statements.

Chicago Public Media, Inc.

Consolidated Statements of Activities
Years Ended June 30, 2015 and 2014

	2015			2014		
	Unrestricted	**Temporarily Restricted**	**Total**	Unrestricted	Temporarily Restricted	Total
Revenue:						
Membership contributions	**$ 11,025,245**	**$ 377,228**	**$ 11,402,473**	$ 10,512,480	$ 813,583	$ 11,326,063
Corporation for Public Broadcasting - Community Service Grant	**1,294,948**	**-**	**1,294,948**	1,312,478	-	1,312,478
Other gifts and grants	**88,925**	**531,240**	**620,165**	86,105	1,165,906	1,252,011
Program underwriting	**10,421,593**	**-**	**10,421,593**	6,223,706	-	6,223,706
Interest and dividend income	**508,617**	**-**	**508,617**	498,289	-	498,289
Carriage fees, production revenue and other	**2,230,331**	**-**	**2,230,331**	3,080,492	-	3,080,492
In-kind services and contributions	**1,000,435**	**-**	**1,000,435**	1,109,254	-	1,109,254
Special events (net of expenses of $452,389 and $752,572, respectively)	**43,907**	**-**	**43,907**	(185,599)	-	(185,599)
	26,614,001	**908,468**	**27,522,469**	22,637,205	1,979,489	24,616,694
Net assets released upon meeting restricted purposes	**1,937,187**	**(1,937,187)**	**-**	2,159,689	(2,159,689)	-
	28,551,188	**(1,028,719)**	**27,522,469**	24,796,894	(180,200)	24,616,694
Expenses:						
Program services:						
Programming, production and public information	**17,979,908**	**-**	**17,979,908**	15,446,719	-	15,446,719
Broadcasting	**3,407,369**	**-**	**3,407,369**	3,289,032	-	3,289,032
	21,387,277	**-**	**21,387,277**	18,735,751	-	18,735,751
Supporting services:						
Management and general	**1,796,622**	**-**	**1,796,622**	1,942,825	-	1,942,825
Membership development	**2,236,172**	**-**	**2,236,172**	2,230,493	-	2,230,493
Fundraising	**2,104,012**	**-**	**2,104,012**	1,917,648	-	1,917,648
	6,136,806	**-**	**6,136,806**	6,090,966	-	6,090,966
	27,524,083	**-**	**27,524,083**	24,826,717	-	24,826,717
Increase (decrease) in net assets before other items	**1,027,105**	**(1,028,719)**	**(1,614)**	(29,823)	(180,200)	(210,023)
Other items:						
Net realized and unrealized gain on investments	**921,288**	**-**	**921,288**	3,118,293	-	3,118,293
Increase in value of interest rate swap agreement	**101,407**	**-**	**101,407**	40,419	-	40,419
Increase (decrease) in net assets	**2,049,800**	**(1,028,719)**	**1,021,081**	3,128,889	(180,200)	2,948,689
Net assets:						
Beginning of year	**21,908,347**	**2,420,439**	**24,328,786**	18,779,458	2,600,639	21,380,097
End of year	**$ 23,958,147**	**$ 1,391,720**	**$ 25,349,867**	$ 21,908,347	$ 2,420,439	$ 24,328,786

See notes to consolidated financial statements.

Chicago Public Media, Inc.

Consolidated Statements of Cash Flows
Years Ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Increase in net assets	$ 1,021,081	$ 2,948,689
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,211,120	1,228,262
Loss on transfer of property and equipment	237,636	-
Net realized and unrealized gain on investments	(921,288)	(3,118,293)
Increase in value of interest rate swap agreement	(101,407)	(40,419)
Changes in:		
Underwriting and other receivables	(940,299)	88,503
Grants receivable	261,858	(135,571)
Campaign pledges receivable	120,284	386,630
Pledges receivable	473,506	3,206
Prepaid expenses	22,466	(26,792)
Accounts payable	111,598	115,187
Accrued expenses	(81,521)	268,900
Other liabilities	4,228,138	-
Deferred revenue	744,421	(23,055)
Net cash provided by operating activities	6,387,593	1,695,247
Cash flows from investing activities:		
Capital expenditures	(274,975)	(499,508)
Purchase of frequency rights	-	(52,500)
Purchases of investments	(820,061)	(973,191)
Sales of investments	287,805	243,034
Cash disbursed under promissory note receivable	(265,555)	-
Net cash used in investing activities	(1,072,786)	(1,282,165)
Cash flows from financing activities:		
Principal payments on promissory note payable	(166,668)	(166,668)
Net cash used in financing activities	(166,668)	(166,668)
Increase in cash	5,148,139	246,414
Cash:		
Beginning of year	2,199,637	1,953,223
End of year	$ 7,347,776	$ 2,199,637
Supplemental disclosure of cash flow information:		
Interest paid	$ 624,050	$ 625,709

See notes to consolidated financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Originally established as an extension service of the Chicago Board of Education, Chicago Public Media, Inc. (the Organization) first signed on as WBEZ in 1943. For most of these early years, the station broadcast educational instruction programming on weekdays while Chicago Public Schools were in session. In 1970, the station became one of the first charter member stations of National Public Radio (NPR). In 1990, the Organization acquired the WBEZ license from the Board of Education as an independent community licensee and nonprofit.

Today, Chicago Public Media broadcasts its primary service on WBEZ 91.5 FM and WBEQ 90.7 FM. In 2005, Chicago Public Media launched a new public media service, Vocalo, which is broadcast on WBEW 89.5 FM and effective March 2013 on WRTE 90.7 FM. In September 2013, the Organization purchased another signal 91.7 FM (W219CD). In addition to local programming, Chicago Public Media produces *This American Life, Sound Opinions* and *Wait, Wait…Don't Tell Me!* (a co-production with National Public Radio) for national distribution.

In 2010, Chicago Public Media's Board of Directors adopted the name "Chicago Public Media" in order to become a better recognized and stronger leader among public media creators and distributors, while aiming to continue the creation of challenging, informative and emotional media experiences that enhance civic life and improve community health by further deepening and growing its existing portfolio of public media brands.

Chicago Public Media occupies facilities on property leased under a long-term arrangement with Navy Pier, Inc., an Illinois nonprofit corporation at Navy Pier in Chicago. The facilities and improvements were financed, in part, by proceeds from the issuance of $22,000,000 in revenue bonds.

Chicago Public Media, Inc. formed CPR Communications Services, LLC (CPR) in 2008 for the sole purpose of purchasing property for the construction of a new radio tower in Porter County, Indiana. Chicago Public Media, Inc. is the sole member of CPR. In July 2011, Media Chicago, LLC was formed to invest in and develop new media and other property, to hold title property and to collect income there from for the exclusive benefit of its sole member, Chicago Public Media, Inc. Chicago Public Media, Inc., CPR and Media Chicago, LLC are collectively referred to herein as the "Organization."

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

A summary of significant accounting policies is as follows:

Accounting policies: The Organization follows accounting standards established by the Financial Accounting Standards Board (FASB) to ensure consistent reporting of financial condition, results of activities, and cash flows. References to accounting principles generally accepted in the United States of America (U.S. GAAP) in these footnotes are to the *FASB Accounting Standards Codification*™, sometimes referred to as the "Codification" or "ASC." Management also follows the Corporation for Public Broadcasting's publication, *Principles of Accounting and Financial Reporting for Public Telecommunication Entities*, which follows U.S. GAAP and promotes consistency in financial reporting among public broadcasting entities.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Basis of presentation: The Organization follows the accounting guidance for financial statements of nonprofit organizations, which requires that net assets and related revenue, expenses, gains and losses be classified into three classes of net assets - unrestricted, temporarily restricted and permanently restricted, based upon the existence or absence of donor-imposed restrictions. These net asset classes are described as follows:

Unrestricted: Those resources with no donor-imposed restrictions.

Temporarily restricted: Temporarily restricted net assets arise from contributions whose use is limited by donor-imposed restrictions that either expire with the passage of time or can be fulfilled by actions of the Organization pursuant to those restrictions. When a donor restriction expires or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released upon meeting the restricted purposes.

Permanently restricted: Permanently restricted net assets are subject to the restrictions of gift instruments requiring the principal to be maintained intact and the income to be used for the general operating purposes of the Organization. The Organization had no permanently restricted net assets for the reporting periods presented in these consolidated financial statements.

Principles of consolidation: The consolidated financial statements include the activity of Chicago Public Media, Inc., CPR and Media Chicago, LLC. All significant intercompany transactions have been eliminated upon consolidation.

Revenue: Membership and other contributions are recorded as receivables and recognized as revenue when pledged. If not pledged, membership and other contributions are recognized as revenue when received in cash. Grants and donations restricted for a particular purpose or project are recorded as temporarily restricted revenue when awarded and are transferred to the unrestricted fund when the provisions of the grants and donations are satisfied (net assets released upon meeting restricted purposes). Donor-restricted contributions whose restrictions are met in the reporting period in which received are classified as unrestricted revenue. Revenue for program underwriting, carriage fees, production revenues and other revenue are recorded as a receivable and recognized when the programs are aired. Amounts received in advance are recorded as deferred revenue.

Campaign for a Sound Future pledges receivable: The campaign pledges are generally payable over a three- to five-year period and are recorded at their net present value using a discount rate based on U.S. Treasury yields of similar maturity. A portion of the funds received from the campaign are used for certain operational needs of the Organization, as stated in the campaign. Unspent campaign funds are invested in managed money market accounts and other investment vehicles in accordance with the Organization's investment policy guidelines.

Management reviews outstanding pledge balances for collectability each year and establishes a reserve on a specific identification basis.

Pledges, grants and underwriting receivables: Pledges receivable from subscribers are considered due within one year. Provision for estimated losses on collection of unpaid subscriber pledges is maintained at a level management believes is sufficient to cover potential losses and is based on the Organization’s pledge collection history.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

The Organization's sustaining membership program is known as High Fidelity. Donors choose an amount to give each month and the Organization automatically bills the donor's credit or debit card. Revenue is generally recognized monthly, except for one-year commitments that are recorded as pledges receivable.

Various grants for programming and general operations which have yet to be received in cash are recorded as grants receivable.

Underwriting from corporations is recorded as a receivable each month after the corporations' name and message have been broadcast. An allowance for doubtful accounts is maintained at a level management believes is sufficient to cover potential losses. The allowance is based on specific identification of uncollectible accounts and the Organization's historical collection experience. Program underwriting revenue for fiscal year 2015 increased significantly from prior-year levels; much of this increase was attributable to *This American Life*.

Investments: Investments are presented in the consolidated financial statements at fair value. Investment income, realized gains (losses), and change in unrealized gains (losses) are reflected in the consolidated statements of activities. Investments received as contributions are recorded at fair value at the date of receipt. Included in investments are cash equivalents which are intended to be held long term.

Investments are exposed to various risks such as interest rate, market and credit risks. It is reasonably possible that changes in values of investments will occur in the near term and that such changes could materially affect the amounts reported.

Bond issuance and other related costs: Costs of $303,526 incurred in connection with the issuance of Series 2005 revenue bonds were capitalized as a deferred asset and are being amortized over the term of the bonds. Annual amortization is $8,672 through 2040. Accumulated amortization was $84,263 and $75,591 at June 30, 2015 and 2014, respectively.

Property and equipment: Land, leasehold improvements, equipment and furnishings are recorded at cost. Land held for sale is recorded at the lower of its cost or fair value less costs to sell. Qualifying website development costs have been capitalized in accordance with accounting standards for website development costs. Depreciation is being provided on equipment and furnishings on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are being amortized over the shorter of their estimated useful lives or the term of the lease. Estimated useful lives range from three to forty years depending on the asset classification.

Frequency rights and other intangible assets: The Organization owns various frequency rights and intangibles. In September 2013, the Organization, with the approval of the Federal Communications Commission (FCC), purchased the license of W219CD (FM) from Lifetalk Radio, Inc. for $52,500. In June 2012, the Organization, with the approval of the FCC, purchased the license of WRTE (FM) from the National Museum of Mexican Art for $300,000. Both of these licenses are recorded as intangible assets on the consolidated statements of financial position.

Frequency rights and goodwill of $1,085,513 and $34,901, respectively, are considered to have an indefinite life and are therefore not amortized. The value of these intangibles is assessed for impairment on an annual basis.

Derivative financial instruments: Derivative financial instruments are recorded as either assets or liabilities at their fair value and changes in fair value are reported as an other item on the consolidated statements of activities. The interest rate swap agreement represents such an instrument, and it is classified on the consolidated statements of financial position as liability under swap agreement and the change in its fair value is recognized on the consolidated statements of activities as a change in value of interest rate swap agreement. The value of the interest rate swap is marked to market based upon quotations from market makers. The fair value of the swap agreement is the estimated amount the Organization would pay or receive to terminate the agreement, taking into account current interest rates and the current credit worthiness of the swap counterparty.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Financial instruments and concentration of credit risk: The balances in certain of the Organization's cash accounts during the fiscal year have exceeded the federally insured limits from time to time. Management believes the Organization is not exposed to any significant credit risk related to cash.

The carrying amounts approximate fair value for cash and cash equivalents, receivables (underwriting and other, grants, pledges and note), accounts payable and other current liabilities meeting the definition of financial instruments. The carrying amount of debt (including liability under swap agreement) approximates fair value because the interest rates (and value of the swap agreement) fluctuate with market interest rates. Long-term investments are carried at fair value.

In-kind contributions: The estimated fair value of business-related in-kind contributions and volunteer services are recorded as revenue and expense in the period when the contributions and services are received. In-kind contributions, principally operating space and advertising, amounted to approximately $970,200 and $1,063,000 for fiscal years 2015 and 2014, respectively.

Use of estimates: In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions affecting the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income tax status: The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law, except for taxes pertaining to unrelated business income, if any.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income. The tax benefits recognized in the consolidated financial statements from such a position, if any, are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the reporting periods presented in these consolidated financial statements.

The Organization files Form 990 in the U.S. federal jurisdiction and the State of Illinois and is generally no longer subject to examination by the Internal Revenue Service for tax years before 2012.

Note 2. Cash

Cash at June 30, 2015 and 2014 consisted of the following:

	2015	2014
Operating cash	$ 4,595,654	$ 2,199,637
Cash held for others	2,752,122	-
	$ 7,347,776	$ 2,199,637

The Organization established a separate bank account for certain contributions and prepaid sponsorships, which amounts are ultimately due to other parties (Note 10).

Note 3. Grants Receivable

Various grants for programming and general operations which had yet to be received in cash are recorded as grants receivable and revenue. Grants receivable at June 30, 2015 and 2014 consist of amounts due for various purposes, as follows:

	2015	2014
Internship program	$ 266,667	$ 200,000
Vocalo	65,000	205,000
General operations	25,000	294,775
Sound Opinions	100,000	-
Smart Chicago Collaborative	21,250	-
Education reporting	-	40,000
	$ 477,917	$ 739,775

Note 4. Campaign for a Sound Future Pledges Receivable

Campaign for a Sound Future pledges receivable as of June 30, 2015 and 2014 were as follows:

	2015	2014
Campaign pledges received (cumulative)	$ 14,761,437	$ 14,761,437
Pledged amounts received in cash (cumulative)	(13,605,108)	(13,463,108)
Donor adjustment to pledge	(150,995)	(150,995)
	1,005,334	1,147,334
Reserve for campaign pledges	(495,084)	(505,800)
Present value discount (rates between 2.3% and 5%)	(47,000)	(58,000)
	$ 463,250	$ 583,534

The Campaign ended in fiscal year 2011. Campaign pledges receivable include $116,000 and $135,000 due from members of the Organization’s Board of Directors at June 30, 2015 and 2014, respectively.

Note 5. Pledges Receivable

The Organization receives pledges from various donors throughout the year. Donations that have yet to be received in cash are recorded as pledges receivable and revenue. Pledges receivable at June 30, 2015 and 2014 consists of the following:

	2015	2014
Pledges receivable	$ 625,052	$ 597,386
High Fidelity pledges receivable	616,091	1,238,717
	1,241,143	1,836,103
Allowance for uncollectible pledges	(239,375)	(360,829)
	$ 1,001,768	$ 1,475,274

	2015	2014
Amounts due in:		
Less than one year	$ 730,809	$ 1,121,474
One to five years	270,959	353,800
	$ 1,001,768	$ 1,475,274

Note 6. Note Receivable

On April 3, 2015, the Organization loaned $265,555 to a long-time employee. Borrowings under the promissory note bear interest at an annual rate of five percent and are unsecured. The principal plus accrued interest were repaid subsequent to year-end, in September 2015.

Note 7. Investments

Investments at June 30, 2015 and 2014 consisted of:

	2015	2014
Cash and cash equivalents	$ 641,303	$ 573,935
Money market mutual fund	1,151,669	-
Zero-coupon bond	4,811,950	4,420,240
Fixed income securities	5,329,579	6,136,594
Equity mutual funds	16,945,660	16,295,848
	$ 28,880,161	$ 27,426,617

Investment return was as follows for the years ended June 30, 2015 and 2014:

	2015	2014
Net realized gain on investments	$ 1,327,519	$ 815,050
Net unrealized loss on investments	(406,231)	2,303,243
Total realized and unrealized gain on investments	921,288	3,118,293
Interest and dividend income	508,617	498,289
	$ 1,429,905	$ 3,616,582

Note 8. Fair Value Measurements

The Organization follows “Accounting Standards Codification” (ASC) Topic, *Fair Value Measurements and Disclosure*, which provides the framework for measuring fair value under generally accepted accounting principles. This topic applies to all financial instruments that are being measured and reported on a fair value basis. As defined in the Topic, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses various methods including market, income, and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used on the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Note 8. Fair Value Measurements (Continued)

Level 1. Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 assets primarily include zero-coupon bonds, equities, money market funds, U.S. Government securities and mutual funds. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2. Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities. Level 2 assets include corporate notes, government-sponsored enterprises and interest rate swaps.

Level 3. Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

For the fiscal year ended June 30, 2015, the application of valuation techniques applied to similar assets and liabilities has been consistent with techniques used in the previous year.

Mutual funds are valued at the net asset value of shares held by the Organization at year-end.

The fair value of fixed income securities is estimated using recently executed transactions, market price quotations (where observable) or bond spreads. When observable price quotations are not available, fair value is determined based on cash flow models with yield curves, bond spreads and recovery rates based on collateral values as key inputs (categorized in Level 2 of the fair value hierarchy).

The Organization’s valuation of the interest-rate swap agreement is based on widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of the interest rate swap agreement. This analysis reflects the contractual terms of the agreement, including the period to maturity, and uses observable market-based inputs, including LIBOR rate curves. The fair value estimates are classified as Level 2.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment’s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Organization’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The Organization assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with the Organization’s accounting policy regarding the recognition of transfers between levels of the fair value hierarchy. There were no such transfers for the year ended June 30, 2015.

Note 8. Fair Value Measurements (Continued)

The table below presents the balances of assets and liabilities measured at fair value as of June 30, 2015 and 2014:

	June 30, 2015			
	Total	Level 1	Level 2	Level 3
Money market mutual fund	$ 1,151,669	$ 1,151,669	$ -	$ -
Zero-coupon bonds	4,811,950	4,811,950	-	-
Fixed income securities:				
U.S. Government bonds	304,102	304,102	-	-
Corporate and other taxable bonds	3,873,002	-	3,873,002	-
Alternatives - low volatility	1,152,475	1,152,475	-	-
Equity mutual funds:				
U.S. Equity	9,610,620	9,610,620	-	-
U.S. Equity funds	2,029,291	2,029,291	-	-
International equity	3,318,118	3,318,118	-	-
Alternatives - high volatility	1,459,240	1,459,240	-	-
REIT	328,636	328,636	-	-
Commodities	199,755	199,755	-	-
	28,238,858	$ 24,365,856	$ 3,873,002	$ -
Cash and cash equivalents	641,303			
Total investments	$ 28,880,161			
Interest rate swap	$ (905,305)	$ -	$ (905,305)	$ -

	June 30, 2014			
	Total	Level 1	Level 2	Level 3
Zero-coupon bonds	$ 4,420,240	$ 4,420,240	$ -	$ -
Fixed income securities:				
U.S. Government bonds	1,240,301	310,401	929,900	-
Corporate and other taxable bonds	3,865,690	-	3,865,690	-
Alternatives - low volatility	1,030,603	1,030,603	-	-
Equity mutual funds:				
U.S. Equity	8,781,926	8,781,926	-	-
U.S. Equity funds	1,988,324	1,988,324	-	-
International equity	3,434,225	3,434,225	-	-
Alternatives - high volatility	1,443,564	1,443,564	-	-
REIT	329,296	329,296	-	-
Commodities	318,513	318,513	-	-
	26,852,682	$ 22,057,092	$ 4,795,590	$ -
Cash and cash equivalents	573,935			
Total investments	$ 27,426,617			
Interest rate swap	$ (1,006,712)	$ -	$ (1,006,712)	$ -

Note 9. Property and Equipment

Station property, equipment and furnishings at June 30, 2015 and 2014 consisted of:

	2015	2014
Land	$ 1,165,032	$ 1,165,032
Leasehold improvements	15,606,986	15,913,808
Broadcast equipment	7,790,008	7,919,919
Office equipment	4,478,421	4,673,987
Furnishings	1,298,245	1,342,147
Website	1,653,214	1,625,214
	31,991,906	32,640,107
Accumulated depreciation and amortization	(17,406,432)	(16,889,524)
	$ 14,585,474	$ 15,750,583

Land located in Porter County, Indiana is the site for a radio tower. The Organization considers a portion of this land, in an amount of $762,233 at June 30, 2015 and 2014, to be land held for sale.

Depreciation charged to expense amounted to $1,202,448 and $1,219,590 for the years ended June 30, 2015 and 2014, respectively.

Note 10. Other Liabilities

Other liabilities at June 30, 2015 consisted of the following:

This American Life surplus payable	$ 1,747,374
Serial surplus payable	26,225
Serial funds for production costs	1,962,539
Serial prepaid sponsorship	492,000
	$ 4,228,138

The Organization has sold its interests in the copyrights and trademarks of two programs, *This American Life* and *Serial*, to a long-time employee, effective July 1, 2015. In exchange, the Organization will receive a share in the future net revenues generated by the programs, as described in the purchase and sale agreement. The Organization will no longer produce the shows, and the individual's employment will cease at the effective date. The agreement also addresses certain rights in the programs held by the Organization and the employee, based on a previous agreement, and specifies that each shall receive amounts equal to 50 percent of the cumulative amount of net revenues earned, but retained by, the Organization through the effective date. The Organization has accordingly accrued liabilities at June 30, 2015 totaling $1,773,599 representing the amounts payable to the employee plus applicable payroll taxes. The Organization also recorded an expense in connection with the transfer of certain property and equipment (net book value of approximately $230,000) used in the production of the programs.

Note 10. Accrued Expenses and Other Liabilities (Continued)

In addition, the Organization received donor contributions during fiscal year 2015 restricted to production costs for a second and subsequent seasons of *Serial*. The Organization considered these funds to be refundable at the time received. As discussed above, the Organization will no longer produce the show. The purchase and sale agreement addresses these funds, and specifies that they are to be paid by the Organization to an entity affiliated with purchaser as *Serial* production costs are incurred, subject to receipt of appropriate documentation. The Organization therefore considers these funds to be amounts held for others, and has recorded an asset and liability of equal amounts, $1,962,539, at June 30, 2015. The Organization also received a prepaid sponsorship for the second season of *Serial* in the amount $492,000 which will be treated in a similar manner and therefore is also recorded as an asset and liability at June 30, 2015.

Note 11. Line of Credit

The Organization has a $500,000 revolving line-of-credit agreement with BMO Harris Bank, N.A. expiring on June 28, 2016. The Organization has the option of selecting the interest rate at LIBOR plus 1.5 percent or the prime rate plus 1 percent. The Organization did not have any borrowings on the line of credit during the fiscal years ended 2015 and 2014.

Note 12. Promissory Note

Chicago Public Media, Inc. and CPR have an unsecured $2,500,000 loan agreement with BMO Harris Bank, N.A., with $1,444,426 and $1,611,094 outstanding at June 30, 2015 and 2014, respectively. Chicago Public Media, Inc. and CPR have the option of selecting the interest rate at reserve adjusted LIBOR plus 1.5 percent or the prime rate plus 1 percent. The interest rate at June 30, 2015, was 1.684 percent (2014 – 1.655 percent), which is calculated at reserve adjusted LIBOR plus 1.5 percent. Payments of principal and interest on the loan are due monthly, with a final balloon payment due on or before June 28, 2018. Minimum principal payments by fiscal year are as follows:

2016	$	166,668
2017		166,668
2018		1,111,090
	$	1,444,426

Interest expense on the loans amounted to $25,681 and $28,558 for fiscal years 2015 and 2014, respectively.

Note 13. Revenue Bonds

Pursuant to an agreement with the Illinois Finance Authority, in October 2005 the Organization received the proceeds from the issuance of $22,000,000 of variable rate demand revenue bonds, Series 2005, which proceeds were to finance the expansion, construction, renovation and equipping of their public radio facilities and to repay the outstanding principal amount of $7,600,000 of a 1994 bond issuance.

The Series 2005 bonds have a stated maturity in 2040; however, the bonds are subject to redemption or mandatory tender prior to maturity under terms stated in the indenture. The bonds bear interest at a rate determined weekly by the remarketing agent (BMO Harris Bank, N.A., “the Bank”) with interest due monthly. This rate averaged approximately 0.63 percent for the year ended June 30, 2015 (2014 – 0.81 percent). Subject to certain conditions specified in the Indenture, the interest rate on the Series 2005 bonds may be converted to a fixed rate.

Note 13. Revenue Bonds (Continued)

The Series 2005 bonds are secured by a transferable irrevocable direct-pay letter of credit issued by the Bank with a maturity date of June 28, 2018. The Organization also has a reimbursement agreement with the Bank. The Organization is required to comply with certain financial covenants which are monitored on both a semiannual and annual basis.

To hedge a portion of its exposure to interest rates on the bonds, the Organization has two interest rate swap agreements with the Bank. The notional amount of the 2011 swap agreement is for $11,000,000, and has a fixed interest rate of 3.04 percent through June 28, 2018. The Organization obtained an additional swap agreement on October 1, 2012, with a notional amount for $11,000,000, and has a fixed interest rate of 0.845 percent through October 2, 2017. Interest expense (including letter of credit and remarketing fees) amounted to $586,784 and $583,656 in fiscal years 2015 and 2014, respectively.

The fair value of the swaps is $905,305 and $1,006,712 at June 30, 2015 and 2014, respectively, and is recorded as a liability on the consolidated statements of financial position. For the years ended June 30, 2015 and 2014, the Organization recorded gains in the amount of $101,407 and $40,419, respectively, for the change in the fair value of the swap agreement, as reflected on the consolidated statements of activities.

Note 14. Lease Obligations

The Organization is obligated under noncancelable operating leases for certain spaces and transmission facilities through 2025. The leases generally provide for base rent which is subject to adjustment for a proportionate share of any increases in the Consumer Price Index, operating expenses and real estate taxes.

Total rent expense under these leases (excluding the Navy Pier rental, see below), was $594,172 and $574,745 for the years ended June 30, 2015 and 2014, respectively. Annual future minimum rent payments by fiscal year are as follows:

2016	$ 446,422
2017	396,226
2018	388,274
2019	380,277
2020	381,348
Thereafter	1,739,427
	$ 3,731,974

The Organization occupies its primary operating space under a long-term lease with Navy Pier, Inc., pursuant to which the Organization rents three-dimensional air space above Festival Hall on Navy Pier in Chicago, as well as certain supplemental space. The lease expiration date is in 2095.

In lieu of cash rent under the lease, the Organization is obligated to provide certain specified broadcast acknowledgments and promotional services (Base Rent) each day which will identify that the Organization is broadcasting from Navy Pier and will promote events and activities occurring at Navy Pier. In the event the Organization is unable or fails to render these forms of Base Rent, the Base Rent required to be paid under the lease will be the fair market rental value of the premises, which shall be determined in accordance with procedures set forth in the lease. The Organization is not responsible under the lease for any share of the costs of repairing or maintaining the common areas of Navy Pier. Management has determined the fair value of this lease to be, and has recorded in-kind contribution revenue and rental expense of equal amounts, $970,200, for the years ended June 30, 2015 and 2014.

Note 15. Restricted Net Assets

Temporarily restricted net assets were available for the following uses:

	2015	2014
Springfield, Illinois reporting	$ 135,000	$ 104,729
Internship program	266,667	215,606
Front and Center project	-	138,369
Vocalo	25,000	205,000
Campaign pledges receivable	487,823	608,107
General operating grant	-	334,775
Community reporting	-	-
Community issues - at risk youth	-	-
High Fidelity	377,230	813,853
Sound Opinions	100,000	-
	$ 1,391,720	$ 2,420,439

Net assets released from donor restrictions were as follows:

	2015	2014
Springfield, Illinois reporting	$ 104,730	$ 157,040
Internship program	123,937	66,665
Front and Center project	138,369	195,368
Vocalo	180,000	125,000
Capital Campaign Installments Due	120,284	386,630
General operating grant	406,015	312,539
Community reporting	-	50,000
Community issues - at risk youth	-	100,000
High Fidelity	813,852	625,852
Sound Opinions	50,000	-
Other	-	140,595
	$ 1,937,187	$ 2,159,689

Contributions restricted for specific programs or purposes are monitored by management to ensure funds are being expended in accordance with donor requests.

Note 16. Corporation for Public Broadcasting Grants

Each year, the Organization receives a Community Service Grant from the Corporation for Public Broadcasting (CPB). This amount represents the Organization's share of an annual appropriation made by Congress for public broadcasting. The CPB Community Service Grant received by the Organization for the years ended June 30, 2015 and 2014 was as follows:

	2015	2014
Corporation for Public Broadcasting - Community Service Grant	$ 1,294,948	$ 1,312,478

Note 17. Employee Benefit Plan

The Organization maintains The Chicago Public Media, Inc. Tax-Deferred Annuity Plan (Plan), which is exempt from income taxes under Internal Revenue Code Section 403(b), for the benefit of eligible employees. The Organization matches 100 percent of employee contributions up to 4 percent of the employee's compensation. Employees can participate in the Plan immediately, but they must have one year of service and be at least 21 years of age before they are eligible to receive matching contributions. Participants in the Plan are immediately vested in both their contributions and the matching contributions.

Matching contributions totaled $281,676 and $319,549 for the years ended June 30, 2015 and 2014, respectively.

Note 18. Subsequent Event

The Organization has evaluated subsequent events for potential recognition and/or disclosure through November 30, 2015, the date the consolidated financial statements were available to be issued.