

# CONSOLIDATED FINANCIAL REPORT

June 30, 2013

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

## Contents

---

|   |      |
|---|------|
| Independent Auditor's Report                        | 1-2  |
| <hr/>   |      |
| Financial Statements                                |      |
| Consolidated statement of activities                | 3    |
| Consolidated statement of functional expenses       | 4    |
| Consolidated statement of financial position        | 5    |
| Consolidated statement of cash flows                | 6    |
| Notes to consolidated financial statements          | 7-20 |
| Supplemental Information                            |      |
| Schedule of operating fund and long-term activities | 21   |

---



## 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 Subsidiary (the Organization) which comprise the statement of financial position as of June 30, 2013, the related consolidated statements of activities, functional expenses 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 financial statements referred to above present fairly, in all material respects, the financial position of Minnesota Public Radio and Subsidiary as of June 30, 2013, and the changes in net assets and its 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 2012 consolidated financial statements and supplementary information, and we expressed an unmodified audit opinion and in-relation-to opinion on those audited financial statements and supplementary information, respectively, in our report dated October 16, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited consolidated financial statements and related supplementary information from which it has been derived.

**Other Matter**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The additional Operating Fund and Property Fund information presented in the consolidated statement of activities for 2013 and the supplemental information on page 21 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. In our opinion, the summarized comparative information presented within the supplemental information for the year ended June 30, 2012, is consistent, in all material respects, with the audited consolidated financial statements from which it was derived.



Minneapolis, Minnesota  
October 17, 2013

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

**Consolidated Statement of Activities**  
**Year Ended June 30, 2013, With Comparative Totals for the Year Ended June 30, 2012**  
**(In Thousands)**

|   | Year Ended June 30, 2013 |                |                 |                |                |                        |            | Year Ended June 30, 2012 |                    |
|---|--------------------------|----------------|-----------------|----------------|----------------|------------------------|------------|--------------------------|--------------------|
|   | Unrestricted             |                |                 |                | Total          | Temporarily Restricted | Restricted | Consolidated Total       | Consolidated Total |
|   | Operating Fund           | Property Fund  | Designated Fund | Eliminations   |                |                        |            |                          |                    |
| Support from public:  |                          |                |                 |                |                |                        |            |                          |                    |
| Individual gifts and membership                                 | \$ 18,918                | \$ -           | \$ 211          | \$ -           | \$ 19,129      | \$ 797                 | \$ 28      | \$ 19,954                | \$ 19,635          |
| Individual gifts and membership—released from restriction (rfr) | 1,173                    | 10             | -               | -              | 1,183          | (1,183)                | -          | -                        | -                  |
| Regional underwriting   | 7,632                    | -              | -               | -              | 7,632          | 70                     | -          | 7,702                    | 7,502              |
| Regional underwriting—rfr                                       | 1,472                    | -              | -               | -              | 1,472          | (1,472)                | -          | -                        | -                  |
| National underwriting   | 10,258                   | -              | -               | -              | 10,258         | -                      | -          | 10,258                   | 9,122              |
| National underwriting—rfr                                       | 869                      | -              | -               | -              | 869            | (869)                  | -          | -                        | -                  |
| Business general support  | 262                      | -              | -               | -              | 262            | 573                    | -          | 835                      | 851                |
| Business general support—rfr                                    | 598                      | -              | -               | -              | 598            | (598)                  | -          | -                        | -                  |
| Foundations   | -                        | -              | -               | -              | -              | 3,578                  | -          | 3,578                    | 6,519              |
| Foundations—rfr   | 4,982                    | -              | -               | -              | 4,982          | (4,982)                | -          | -                        | -                  |
| Grant from APMG Earned Endowment (Note 12)                      | 4,249                    | -              | 1,807           | -              | 6,056          | -                      | -          | 6,056                    | 6,197              |
| Other intercompany grants                                       | 262                      | 797            | -               | (1,059)        | -              | 59                     | -          | 59                       | -                  |
| Other intercompany grants rfr                                   | -                        | 32             | -               | -              | 32             | (32)                   | -          | -                        | -                  |
| Educational sponsors  | 454                      | -              | -               | -              | 454            | -                      | -          | 454                      | 434                |
| Other public support  | 461                      | 145            | -               | -              | 606            | 351                    | -          | 957                      | (511)              |
| <b>Total support from public</b>                                | <b>51,590</b>            | <b>984</b>     | <b>2,018</b>    | <b>(1,059)</b> | <b>53,533</b>  | <b>(3,708)</b>         | <b>28</b>  | <b>49,853</b>            | <b>49,749</b>      |
| Support from governmental agencies:                             |                          |                |                 |                |                |                        |            |                          |                    |
| Corporation for Public Broadcasting (CPB)                       | -                        | -              | -               | -              | -              | 3,947                  | -          | 3,947                    | 4,257              |
| CPB grants—rfr  | 6,000                    | 80             | -               | -              | 6,080          | (6,080)                | -          | -                        | -                  |
| Grants from other governmental agencies                         | -                        | 378            | -               | -              | 378            | 5,015                  | -          | 5,393                    | 2,261              |
| Grants from other governmental agencies—rfr                     | 1,231                    | 282            | -               | -              | 1,513          | (1,513)                | -          | -                        | -                  |
| <b>Total support from governmental agencies</b>                 | <b>7,231</b>             | <b>740</b>     | <b>-</b>        | <b>-</b>       | <b>7,971</b>   | <b>1,369</b>           | <b>-</b>   | <b>9,340</b>             | <b>6,518</b>       |
| Earned revenue:   |                          |                |                 |                |                |                        |            |                          |                    |
| Earned operating activities                                     | 21,705                   | -              | -               | (84)           | 21,621         | -                      | -          | 21,621                   | 18,718             |
| Royalties and licensing fees (Note 13)                          | 499                      | -              | 806             | -              | 1,305          | -                      | -          | 1,305                    | 1,304              |
| Investment return, net (Note 5)                                 | 987                      | 264            | 1,159           | -              | 2,410          | 1,592                  | 274        | 4,276                    | 1,111              |
| Other earned revenue  | 2,543                    | 881            | -               | (353)          | 3,071          | -                      | -          | 3,071                    | 2,389              |
| Contractual settlement (Note 14)                                | -                        | -              | 11,296          | -              | 11,296         | -                      | -          | 11,296                   | -                  |
| <b>Total earned revenue</b>                                     | <b>25,734</b>            | <b>1,145</b>   | <b>13,261</b>   | <b>(437)</b>   | <b>39,703</b>  | <b>1,592</b>           | <b>274</b> | <b>41,569</b>            | <b>23,522</b>      |
| <b>Total support and earned revenue</b>                         | <b>84,555</b>            | <b>2,869</b>   | <b>15,279</b>   | <b>(1,496)</b> | <b>101,207</b> | <b>(747)</b>           | <b>302</b> | <b>100,762</b>           | <b>79,789</b>      |
| Expenses:   |                          |                |                 |                |                |                        |            |                          |                    |
| Operations  | 63,491                   | 4,482          | 83              | (1,488)        | 66,568         | -                      | -          | 66,568                   | 64,592             |
| Administrative  | 11,447                   | 448            | -               | (8)            | 11,887         | -                      | -          | 11,887                   | 12,483             |
| Fundraising   | 9,467                    | 460            | 201             | -              | 10,128         | -                      | -          | 10,128                   | 9,800              |
| Grants to APMG (Notes 12 and 14)                                | -                        | 30             | 13,044          | -              | 13,074         | -                      | -          | 13,074                   | 1,708              |
| <b>Total expenses</b>   | <b>84,405</b>            | <b>5,420</b>   | <b>13,328</b>   | <b>(1,496)</b> | <b>101,657</b> | <b>-</b>               | <b>-</b>   | <b>101,657</b>           | <b>88,583</b>      |
| <b>Change in net assets</b>                                     | <b>150</b>               | <b>(2,551)</b> | <b>1,951</b>    | <b>-</b>       | <b>(450)</b>   | <b>(747)</b>           | <b>302</b> | <b>(895)</b>             | <b>(8,794)</b>     |
| Net assets—beginning of year                                    | 804                      | 42,999         | 19,127          | -              | 62,930         | 20,132                 | 12,197     | 95,259                   | 104,053            |
| Net assets—end of year  | \$ 954                   | \$ 40,448      | \$ 21,078       | \$ -           | \$ 62,480      | \$ 19,385              | \$ 12,499  | \$ 94,364                | \$ 95,259          |

See Notes to Consolidated Financial Statements.

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

**Consolidated Statement of Functional Expenses**  
**Year Ended June 30, 2013, With Comparative Totals for the Year Ended June 30, 2012**  
**(In Thousands)**

|                              | Year Ended June 30, 2013 |                  |                  | <b>Consolidated<br/>Total</b> | Year Ended<br>June 30, 2012 |
|------------------------------|--------------------------|------------------|------------------|-------------------------------|-----------------------------|
|                              | Operations               | Administrative   | Fundraising      |                               | Consolidated<br>Total       |
| Personnel                    | \$ 29,431                | \$ 3,077         | \$ 4,716         | \$ 37,224                     | \$ 37,455                   |
| Fringe benefits of personnel | 6,470                    | 421              | 992              | 7,883                         | 7,788                       |
| Programming                  | 14,722                   | -                | -                | 14,722                        | 12,848                      |
| Space costs                  | 1,218                    | 599              | 77               | 1,894                         | 1,747                       |
| Utilities                    | 2,007                    | 66               | 7                | 2,080                         | 2,092                       |
| Repairs and maintenance      | 3,318                    | 35               | -                | 3,353                         | 2,518                       |
| Membership and development   | -                        | -                | 1,292            | 1,292                         | 1,129                       |
| Promotion                    | 3,118                    | -                | 1,834            | 4,952                         | 5,469                       |
| Travel and training          | 768                      | 159              | 142              | 1,069                         | 1,081                       |
| Other general expenses       | 494                      | 1,117            | 55               | 1,666                         | 3,085                       |
| Depreciation                 | 3,756                    | 127              | 382              | 4,265                         | 4,214                       |
| Financial and other          | 1,266                    | 6,286            | 631              | 8,183                         | 7,449                       |
| <b>Total expenses</b>        | <b>\$ 66,568</b>         | <b>\$ 11,887</b> | <b>\$ 10,128</b> | <b>\$ 88,583</b>              | <b>\$ 86,875</b>            |

See Notes to Consolidated Financial Statements.

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

**Consolidated Statement of Financial Position**  
**June 30, 2013, With Comparative Totals as of June 30, 2012**  
**(In Thousands)**

| <b>Assets</b>   | <b>2013</b>       | <b>2012</b>       |
|---|-------------------|-------------------|
| <b>Current Assets</b>   |                   |                   |
| Trade receivables, net (Note 4)                                 | \$ 13,625         | \$ 13,882         |
| Pledges receivable, net (Note 4)                                | 1                 | 3                 |
| Grants receivable, net (Note 4)                                 | 6,102             | 5,801             |
| Prepaid expenses  | 1,006             | 848               |
| Inventory   | 241               | 300               |
| Note receivable from APMG (Note 12)                             | 806               | 806               |
| Other   | 402               | 355               |
| <b>Total current assets</b>                                     | <b>22,183</b>     | <b>21,995</b>     |
| Net Property and Equipment (Note 6)                             | <b>44,320</b>     | <b>45,107</b>     |
| <b>Other Assets</b>   |                   |                   |
| Investments (Note 5)  | 316               | 262               |
| Interest in investment pool (Note 5)                            | 12,012            | 14,375            |
| Endowment funds held by others and beneficial interest in trust | 25,981            | 23,673            |
| Trade receivables, net (Note 4)                                 | 4                 | 1,245             |
| Pledges receivable, capital campaign, net (Note 4)              | 11                | 11                |
| Grants receivable, net (Note 4)                                 | 2,537             | 1,704             |
| Affiliate receivable (Note 12)                                  | 6,048             | 5,958             |
| Broadcast licenses not subject to amortization (Note 7)         | 18,267            | 18,267            |
| Intangible assets subject to amortization, net (Note 7)         | 84                | 157               |
| Note receivable from APMG, less current portion (Note 12)       | 18,603            | 19,409            |
| Other assets  | 279               | 310               |
| <b>Total other assets</b>                                       | <b>84,142</b>     | <b>85,371</b>     |
| <b>Total assets</b>   | <b>\$ 150,645</b> | <b>\$ 152,473</b> |
| <b>Liabilities and Net Assets</b>                               |                   |                   |
| <b>Current Liabilities</b>                                      |                   |                   |
| Trade payables  | \$ 2,604          | \$ 1,981          |
| Current portion of long-term obligations, net (Note 8)          | 1,909             | 1,842             |
| Accrued liabilities   | 5,703             | 4,858             |
| Deferred revenue  | 2,142             | 1,265             |
| Refundable advance  | 475               | 631               |
| <b>Total current liabilities</b>                                | <b>12,833</b>     | <b>10,577</b>     |
| <b>Long-Term Liabilities</b>                                    |                   |                   |
| Long-term obligations, less current portion, net (Note 8)       | 24,201            | 26,316            |
| Interest rate swap  | 644               | 912               |
| Deferred revenue, less current portion (Note 13)                | 18,603            | 19,409            |
| <b>Total liabilities</b>  | <b>56,281</b>     | <b>57,214</b>     |
| <b>Commitments and Contingencies (Notes 8, 9 and 10)</b>        |                   |                   |
| <b>Net Assets</b>   |                   |                   |
| Unrestricted  | 62,480            | 62,930            |
| Temporarily restricted  | 19,385            | 20,132            |
| Permanently restricted  | 12,499            | 12,197            |
| <b>Total net assets</b>   | <b>94,364</b>     | <b>95,259</b>     |
| <b>Total liabilities and net assets</b>                         | <b>\$ 150,645</b> | <b>\$ 152,473</b> |

See Notes to Consolidated Financial Statements.

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

**Consolidated Statement of Cash Flows**  
**Year Ended June 30, 2013, With Comparative Totals for the Year Ended June 30, 2012**  
**(In Thousands)**

|   | 2013            | 2012              |
|---|-----------------|-------------------|
| Cash Flows From Operating Activities  |                 |                   |
| Change in net assets  | <u>\$ (895)</u> | <u>\$ (8,794)</u> |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                 |                   |
| Depreciation and amortization   | 4,317           | 4,504             |
| Unrealized losses (gains) on investments, net   | (314)           | 45                |
| Gains on sale of assets   | (736)           | 56                |
| Increase (decrease) in endowment funds held by others and beneficial interest in trust      | (2,308)         | 532               |
| Contributions and grants restricted for capital projects                                    | (1,222)         | (533)             |
| Grant to APMG   | 806             | 806               |
| Loan forgiveness—City of Saint Paul   | (276)           | (259)             |
| Decrease (increase) in assets:  |                 |                   |
| Trade and pledges receivable, net   | 1,498           | 3,168             |
| Grants receivable, net  | (1,478)         | 997               |
| Prepaid expenses  | (158)           | 187               |
| Inventory and other assets  | 19              | 141               |
| Due from (to) affiliate   | (90)            | 773               |
| Increase (decrease) in liabilities:   |                 |                   |
| Trade payable and accrued liabilities   | 1,367           | 337               |
| Refundable advance  | (156)           | 631               |
| Deferred revenue  | 71              | (506)             |
| <b>Total adjustments</b>  | <u>1,340</u>    | <u>10,879</u>     |
| <b>Net cash provided by operating activities</b>  | <u>445</u>      | <u>2,085</u>      |
| Cash Flows From Investing Activities  |                 |                   |
| Purchase of property and equipment  | (3,504)         | (3,390)           |
| Purchase of investments   | (11)            | (66)              |
| Proceeds from sale of investments   | 3               | -                 |
| Proceeds from sale of assets  | 863             | -                 |
| Change in interest in investment pool, net  | 2,363           | 2,424             |
| <b>Net cash used in investing activities</b>  | <u>(286)</u>    | <u>(1,032)</u>    |
| Cash Flows From Financing Activities  |                 |                   |
| Receipts of contributions and grants restricted for capital projects                        | 1,568           | 640               |
| Principal payments on long-term obligations   | (1,727)         | (1,693)           |
| <b>Net cash used in financing activities</b>  | <u>(159)</u>    | <u>(1,053)</u>    |
| <b>Net change in cash and cash equivalents</b>  | -               | -                 |
| Cash and Cash Equivalents—beginning of year   | -               | -                 |
| Cash and Cash Equivalents—end of year   | <u>\$ -</u>     | <u>\$ -</u>       |
| Supplemental Disclosures of Noncash Investing Activities                                    |                 |                   |
| Addition to net property and equipment funded through trade payable                         | \$ 35           | \$ 136            |
| Reduction of loan to APMG including interest, via grant                                     | <u>1,675</u>    | <u>1,708</u>      |
| Supplemental Disclosures of Cash Flow Information   |                 |                   |
| Cash paid during the year for interest  | <u>\$ 662</u>   | <u>\$ 703</u>     |

See Notes to Consolidated Financial Statements.



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

**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 and FTC are referred to together as “the Organization.”

American Public Media Group (APMG) is the not-for-profit parent support organization of MPR, Southern California Public Radio (SCPR) and Classical South Florida (CSF). 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. APMG also owns all of the stock of Greenspring Company (Greenspring), a for-profit holding company. Greenspring has one wholly owned for-profit subsidiary, Greenspring Media Group (GMG), which is engaged in publishing activities and producing consumer shows and events.

**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. Designated amounts represent those funds that the MPR Board of Trustees has set aside for a particular purpose. All property, equipment and related debt are considered unrestricted. 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 certain broadcast licenses and 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.

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

**Notes to Consolidated Financial Statements**

---

**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 net assets released from restriction. 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.

Temporarily restricted net assets at June 30, 2013, were restricted for the following purposes:

|  |                      |
|--|----------------------|
| Program support and underwriting                         | \$ 9,278,000         |
| Capital projects   | 120,000              |
| Undistributed earnings on endowment funds held by others | 9,987,000            |
| Total  | <u>\$ 19,385,000</u> |

**Permanently restricted:** This classification includes net assets subject to donor-imposed restrictions that stipulate the resources be maintained in perpetuity, but permit the Organization to use or expend the income received from the donated assets for operating purposes. Permanently restricted net assets at June 30, 2013, consisted of the following:

|                                |                      |
|--------------------------------|----------------------|
| Endowment funds held by others | \$ 9,691,000         |
| Beneficial interest in trust   | 2,808,000            |
| Total                          | <u>\$ 12,499,000</u> |

**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, 2012:** 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, 2012, from which the summarized information was derived. Consolidated financial statements from prior year are available on MPR's website. Certain amounts in the prior-year summarized comparative information were reclassified to be consistent with the presentation in the current-year financial statements. These classifications had no impact on changes in net assets as previously presented.

**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 cyclical demands for working capital to the extent the amount due to parent results in an obligation to APMG.

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

**Notes to Consolidated Financial Statements**

---

**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 net assets are released from restriction.

The Organization receives support from the underwriters of its programming (underwriting), which are thanked with on-air and Web messages (spots). Underwriting is recognized as unrestricted support as the spots are run. The Organization changed its underwriting contracts beginning January 1, 2012. Contracts entered into prior to January 1, 2012, resulted in an unconditional promise to give underwriting support. Underwriting under those contracts had been recognized as temporarily restricted support at the onset of the underwriting contract and was released from restriction as the spots were run. Contracts entered into beginning January 1, 2012, result in support that is conditional upon running the underwriting spot. The Organization also receives goods and services from its underwriters. Any underwriting support recorded in the restricted funds is related to membership challenge for membership drive. Barter expense is recorded when the goods are used or the services are received. During the year ended June 30, 2013, barter support of \$1,180,000 and barter expenses of \$1,159,000 are reflected in the consolidated statement of activities. Amounts of cash and barter assets received on underwriting contracts that are conditional upon running future underwriting spots are reported as deferred revenue in the statement of financial position.

**Earned operating activities:** The Organization recognizes earned operating revenue from three primary activities: carriage fees, satellite fees and ticket sales. Carriage fees and satellite fees are earned when content is provided to subscribing broadcasters. Ticket revenue 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.

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

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

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

**Notes to Consolidated Financial Statements**

---

**Note 2. Summary of Significant Accounting Policies (Continued)**

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

**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 of broadcast licenses not subject to amortization:** Broadcast licenses are considered indefinite-lived intangibles and are tested annually on June 30 for impairment, or more frequently if an event occurs or circumstances change that would indicate an impairment. The unit of accounting used to test broadcast licenses represents all licenses owned and operated by Minnesota Public Radio, as such licenses are used together, are complementary to each other and are representative of the best use of those assets. The Organization did not recognize any impairment charge for the year ended June 30, 2013.

**Impairment 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.

**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 expensed 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 headcount.

**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.

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

**Notes to Consolidated Financial Statements**

---

**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, 2013, MPR recorded an estimated tax expense included in administrative expenses that amounted to \$241,000.

The Organization has adopted certain provisions of Accounting Standards Codification (ASC) 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, 2010. 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.

**Investments, including interest in investment pool:** Investments are carried at fair value. As defined in ASC 820, Fair Value Measurements and Disclosures, fair value is the price that would be received to sell the asset or paid to transfer the liability (an exit price). Money market funds that the Organization intends to utilize for long-term projects are recorded as long-term 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, 2013, 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 included in 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 included in investment return, net, in the consolidated statement of activities.

**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 free-standing or embedded derivatives.

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

**Notes to Consolidated Financial Statements**

---

**Note 2. Summary of Significant Accounting Policies (Continued)**

On January 13, 2006, MPR entered into a 10-year amortizing interest rate swap agreement (the agreement) with Allied Irish Bank, New York, with an initial aggregate notional amount of \$10,000,000. Under the agreement, MPR is the fixed-rate payor, 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, 2013, MPR paid interest expense of \$297,000, 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, 2013, the notional amount of the swap is \$8,460,000. 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, 2013, the outstanding fair value of the agreement was \$644,000, reported as a long-term liability. The change in the fair value of the agreement is included in investment return, net, on the consolidated statement of activities.

**Inventories:** Inventories are stated at the lower of cost or market.

**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.

**Subsequent events:** The Organization has considered subsequent events through October 17, 2013, the date of issuance, in preparing the consolidated financial statements and notes; there were none to report.

**Note 3. Fair Value Measurements**

ASC 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 825 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements.

ASC 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 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, 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, or inputs that reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset.

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

**Notes to Consolidated Financial Statements**

**Note 3. Fair Value Measurements (Continued)**

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

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

Fair values of actively traded money market funds 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 equals 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, which approximates the present value of the future payment stream the Organization will receive. Quantitative factors include a long-term gross average growth rate of 8 percent and a discount rate of 8 percent, see Note 2 for distribution policy. The interest rate swap liability is recorded using ASC 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:**

|                                  | June 30, 2013     |                      |                      |                      |
|----------------------------------|-------------------|----------------------|----------------------|----------------------|
|                                  | Level 1           | Level 2              | Level 3              | Total                |
| Interest in APMG investment pool | \$ -              | \$ 12,012,000        | \$ -                 | \$ 12,012,000        |
| Money market funds               | 3,000             | -                    | -                    | 3,000                |
| Fixed-income mutual funds        | 33,000            | -                    | -                    | 33,000               |
| Equity mutual funds              | 76,000            | -                    | -                    | 76,000               |
| Private equities                 | -                 | -                    | 195,000              | 195,000              |
| Endowment fund held by others    | -                 | -                    | 23,173,000           | 23,173,000           |
| Beneficial interest in trust     | -                 | -                    | 2,808,000            | 2,808,000            |
| Interest rate swap               | -                 | (644,000)            | -                    | (644,000)            |
| <b>Total</b>                     | <b>\$ 112,000</b> | <b>\$ 11,368,000</b> | <b>\$ 26,176,000</b> | <b>\$ 37,656,000</b> |

**Fair value measurements using Level 3 inputs for the year ended June 30, 2013:**

|                                 | Private<br>Equities | Beneficial<br>Interest<br>in Trust | Endowment<br>Fund Held<br>by Others | Total                |
|---------------------------------|---------------------|------------------------------------|-------------------------------------|----------------------|
| Beginning fair value            | \$ 152,000          | \$ 2,534,000                       | \$ 21,139,000                       | \$ 23,825,000        |
| Additional investments          | -                   | -                                  | 166,000                             | 166,000              |
| Distributions                   | -                   | (63,000)                           | (923,000)                           | (986,000)            |
| Unrealized gains on investments | 43,000              | -                                  | -                                   | 43,000               |
| Change in value                 | -                   | 337,000                            | 2,791,000                           | 3,128,000            |
| <b>Ending fair value</b>        | <b>\$ 195,000</b>   | <b>\$ 2,808,000</b>                | <b>\$ 23,173,000</b>                | <b>\$ 26,176,000</b> |

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

**Notes to Consolidated Financial Statements**

---

**Note 3. Fair Value Measurements (Continued)**

The unrealized gains of \$43,000 included in the consolidated statement of activities relate to investments held at June 30, 2013.

**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 \$29,000 at June 30, 2013. Amortization of the discount is included in contribution revenues. Conditional promises to give are not included as support until such time as the conditions are substantially met. At June 30, 2013, the Organization had received conditional pledges and grants of \$10,000,000 and conditional underwriting trade receivable of approximately \$4,900,000, 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 \$949,000 at June 30, 2013, to provide for estimated bad debts.

Net trade, pledges and grants receivable at June 30, 2013, were due as follows:

|                            |                             |
|----------------------------|-----------------------------|
| In less than one year      | \$ 19,728,000               |
| In one to five years       | 2,543,000                   |
| In greater than five years | 9,000                       |
| Total                      | <u><u>\$ 22,280,000</u></u> |

**Pledge receivables:** Pledge receivables consist of unconditional promises to give to a finite special-purpose fundraising campaign.

**Grant receivables:** Grant receivables 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.



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

**Notes to Consolidated Financial Statements**

---

**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, 2013, consisted of the following:

|                             |                      |
|-----------------------------|----------------------|
| Interest in investment pool | \$ 12,012,000        |
| Money market funds          | 3,000                |
| Fixed-income mutual funds   | 33,000               |
| Equity mutual funds         | 76,000               |
| Cash value insurance policy | 9,000                |
| Private equities            | 195,000              |
| Total                       | <u>\$ 12,328,000</u> |

The composition of investments held at June 30, 2013, were designated as follows:

|                               |                      |
|-------------------------------|----------------------|
| MPR Board-Designated Fund     | \$ 3,344,000         |
| MPR capital campaigns         | 5,903,000            |
| MPR reserves                  | 2,972,000            |
| MPR charitable gift annuities | 109,000              |
| Total                         | <u>\$ 12,328,000</u> |

Net investment return for the year ended June 30, 2013, consisted of the following:

|  |                     |
|--|---------------------|
| Interest income  | \$ 860,000          |
| Realized losses, net   | (26,000)            |
| Unrealized gains, net  | 46,000              |
| Change in value of interest rate swap  | 268,000             |
| Change in value of endowment funds held by others and beneficial interest in trust | 3,128,000           |
| Total  | <u>\$ 4,276,000</u> |

Investments held are to support the long-term needs of the Organization. MPR's interest in investment pool was \$12,012,000 at June 30, 2013. 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.

MPR's Board-Designated Fund was established by the MPR Board of Trustees to receive and hold such funds as may be designated by the Board of Trustees to provide for the long-term financial health of the Organization. The funds are available to the Organization upon the approval of the MPR Board of Trustees. Cash balances in this fund are available for cash flow needs. Unrestricted funds are accounted for in the Designated Fund, and any restricted funds are classified accordingly.

Funds from MPR capital campaigns are intended for targeted initiatives of the Organization, including the renovation and expansion of the Organization's Saint Paul Broadcast Center, content initiatives, and other broadcasting infrastructure. Unrestricted funds are accounted for in the Property Fund, and restricted funds are classified accordingly.

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

**Notes to Consolidated Financial Statements**

---

**Note 5. Investments (Continued)**

MPR's reserves were established by the Organization for the purpose of renovating or replacing existing equipment and facilities and to preserve the long-term health of the Organization.

MPR's charitable gift annuities are split-interest agreements that reflect transfers of assets by donors to MPR in exchange for a promise to receive fixed annual payments for the remainder of the beneficiary's life. At the time of the agreement, the difference between the assets transferred from the donor and the related annuity liability was recognized as a contribution. The liability is adjusted annually for changes in discount rates, actuarial assumptions and other changes to estimated future benefits. Restricted funds are classified accordingly.

**Note 6. Net Property and Equipment**

Net property and equipment at June 30, 2013, consisted of the following:

|  |                      |
|--|----------------------|
| Property and equipment:                        |                      |
| Land   | \$ 8,623,000         |
| Building and leasehold improvements            | 45,105,000           |
| Equipment                                      | 31,502,000           |
| Construction in progress                       | 920,000              |
| Total  | <u>86,150,000</u>    |
| Less accumulated depreciation and amortization | 41,830,000           |
| Net property and equipment                     | <u>\$ 44,320,000</u> |

Total depreciation expense and amortization of leasehold improvements was \$4,265,000 for the year ended June 30, 2013, and was recorded in the Property Fund.

**Construction in progress:** Construction in progress at June 30, 2013, represents costs incurred in connection with the acquisition and implementation of media infrastructure projects.

**Note 7. Broadcast Licenses and Other Intangibles**

Broadcast licenses and other intangibles at June 30, 2013, consisted of the following:

|  | Weighted-<br>Average<br>Remaining Life<br>in Years |                      |
|--|--|----------------------|
| Intangibles subject to amortization (primarily program rights) | 1  | \$ 1,047,000         |
| Less accumulated amortization                                  |  | <u>963,000</u>       |
|  |  | 84,000               |
| Broadcast licenses (not subject to amortization)               |  | <u>18,267,000</u>    |
| Total  |  | <u>\$ 18,351,000</u> |

Total amortization expense charged to operations was \$73,000 for the year ended June 30, 2013, and is recorded in operations expense on the consolidated statement of activities.

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

**Notes to Consolidated Financial Statements**

---

**Note 8. Long-Term Obligations**

Long-term obligations at June 30, 2013, consisted of the following:

|  |                      |
|--|----------------------|
| \$11,500,000 variable-rate, Port Authority of the City of Saint Paul Demand Revenue Bonds (Minnesota Public Radio Project)—Series 2005-7 (Series 2005-7 bonds), with interest due monthly (0.1% as of June 30, 2013), maturing May 1, 2025; secured by an irrevocable letter of credit of \$9,171,698, which expires on November 15, 2015.                 | \$ 9,060,000         |
| \$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 (2.0% to 5% as of June 30, 2013), maturing December 1, 2025.   | 8,326,000            |
| \$10,000,000 variable-rate, Housing and Redevelopment Authority of the City of Saint Paul Demand Revenue Bonds (Minnesota Public Radio Project)—Series 2002 (Series 2002 bonds) with interest due monthly (0.1% as of June 30, 2013), maturing May 1, 2022; secured by an irrevocable letter of credit of \$7,430,493, which expires on November 15, 2015. | 7,340,000            |
| \$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.  | 1,293,000            |
| Charitable gift annuities payable  | 91,000               |
| Total long-term obligations  | <u>26,110,000</u>    |
| Less amounts due within one year   | 1,909,000            |
| Long-term portion  | <u>\$ 24,201,000</u> |

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.

Interest on the Series 2005-7 bonds and Series 2002 bonds (the Bonds) is based on a daily remarketing process; however, the rate is not to exceed 10.0 percent. The Bonds can also be tendered on certain dates by the bondholders. The remarketing agreements provide for a “best efforts” remarketing of any of the Bonds tendered.

On October 28, 2010, MPR entered into an agreement with JPMorgan Chase Bank, N.A. to be the letter of credit provider for the Bonds. The letters of credit (LOCs) were established for five years, expiring on November 15, 2015, unless terminated, and equal to the aggregate outstanding principal amount of the Bonds plus 45 days’ interest at a maximum interest rate of 10.0 percent per annum. APMG guarantees the LOCs and must maintain a ratio of unrestricted cash and investments to indebtedness of no less than 1.2-to-1.0 and other nonfinancial covenants.

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

**Notes to Consolidated Financial Statements**

---

**Note 8. Long-Term Obligations (Continued)**

While there is no assurance that the LOCs can be renewed, it is management's intention to renew both of its LOCs. The scheduled maturities of the long-term obligations, assuming the Bonds are remarketed and LOCs are renewed over the terms of the Bonds, are as follows:

Years Ending June 30,

|            |                      |
|------------|----------------------|
| 2014       | \$ 1,909,000         |
| 2015       | 1,978,000            |
| 2016       | 2,063,000            |
| 2017       | 2,151,000            |
| 2018       | 1,853,000            |
| Thereafter | 16,156,000           |
| Total      | <u>\$ 26,110,000</u> |

In the event the Bonds are not remarketed and amounts are drawn on the LOCs, such amounts are due in quarterly installments of one-twelfth the amount of the draw, beginning in the calendar quarter one year after the draw date. Additionally, any outstanding draws would be due in full on the earlier of the date of remarketing of the related bonds or termination of the LOCs. If the LOCs are not renewed on November 15, 2015, \$14,220,000 of the Bonds would then become due on demand. As of June 30, 2013, there were no amounts outstanding on the LOCs due to unsuccessful remarketing for Bonds.

The Organization incurred \$420,000 of interest expense on long-term obligations during the year ended June 30, 2013.

**Note 9. 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 \$1,894,000 for the year ended June 30, 2013, and is included within space costs on the consolidated statement of functional expenses.

Minimum future payments required under noncancelable operating leases as of June 30, 2013, are as follows:

Years Ending June 30,

|            |                     |
|------------|---------------------|
| 2014       | \$ 852,000          |
| 2015       | 692,000             |
| 2016       | 567,000             |
| 2017       | 574,000             |
| 2018       | 560,000             |
| Thereafter | 736,000             |
| Total      | <u>\$ 3,981,000</u> |

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

**Notes to Consolidated Financial Statements**

---

**Note 10. 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 11. Retirement Plan**

The Organization participates in APMG's 403(b) tax-deferred retirement plan, which provides for qualified employees to make required and supplemental contributions to the plan through payroll deductions. For the year ended June 30, 2013, 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 matching contributions of \$1,790,000 for the year ended June 30, 2013.

**Note 12. 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, 2013, these charges totaled \$5,376,000 and are included in administrative expenses.

For the year ended June 30, 2013, MPR charged SCPR \$944,000 for providing various operational services and facilities costs. These payments of \$592,000 and \$352,000 are reflected in other earned revenue and revenue from operating activities, respectively, for MPR. MPR provided a grant to SCPR for programming services of \$171,000, which is included in operations expenses on the consolidated statement of activities.

MPR charged CSF \$350,000 for personnel costs incurred on its behalf related to programming and operating costs during the year ended June 30, 2013, 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, 2013, which is reflected as revenue from operating activities and operations expense on the consolidated statement of activities.

GMG publishes a monthly magazine containing a programming guide that is purchased by MPR and provided to certain of the contributing members of MPR. Included in fundraising expense is \$405,000 charged under this arrangement for the year ended June 30, 2013.

Under agreements with MPR, GMG produces consumer shows on MPR's behalf. In addition to direct expense reimbursement, GMG was paid a production fee, recorded in operations, of \$125,000 for the year ended June 30, 2013.

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 (see Note 13) 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 \$6,056,000 for the year ended June 30, 2013, 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, 2013, the market value of the Earned Endowment held by APMG was \$139,406,000.

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

**Notes to Consolidated Financial Statements**

---

**Note 12. Affiliated and Related-Party Organizations (Continued)**

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, 2013, \$806,000 due to be repaid on the note and \$839,000 of accrued interest was forgiven by a grant to APMG from MPR (also see Note 13).

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, 2013, was \$6,048,000, net of present value discount of \$683,000, and is reflected as affiliate receivable in the consolidated statement of financial position.

**Note 13. 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, 2013, the Organization recognized \$806,000 as licensing fees in the consolidated statement of activities. As of June 30, 2013, \$19,409,000 of deferred revenue related to the EBS contracts are included on the consolidated statement of financial position.

**Note 14. Contractual Settlement**

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

## **Supplemental Information**

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

**Schedule of Operating Fund and Long-Term Activities**  
**Year Ended June 30, 2013, With Comparative Totals for the Year Ended June 30, 2012**  
**(In Thousands)**

|   | <b>Total</b>     |                  |
|---|------------------|------------------|
|   | <b>2013</b>      | <b>2012</b>      |
| <b>Operating Fund:</b>  |                  |                  |
| Support from public:  |                  |                  |
| Individual gifts and membership   | \$ 20,091        | \$ 18,674        |
| Regional underwriting   | 9,104            | 8,851            |
| National underwriting   | 11,127           | 13,335           |
| Business general support  | 860              | 872              |
| Foundations   | 4,982            | 5,040            |
| Grant from APMG Earned Endowment  | 4,249            | 5,197            |
| Other intercompany grants   | 262              | 184              |
| Educational sponsors  | 454              | 434              |
| Other public support  | 461              | 349              |
| <b>Total support from public</b>  | <b>51,590</b>    | <b>52,936</b>    |
| Support from governmental agencies:   |                  |                  |
| Corporation for Public Broadcasting   | 6,000            | 5,762            |
| Grants from other governmental agencies                                       | 1,231            | 1,474            |
| <b>Total support from governmental agencies</b>                               | <b>7,231</b>     | <b>7,236</b>     |
| Earned revenue:   |                  |                  |
| Revenue from operating activities   | 21,705           | 18,776           |
| Royalties and licensing fees  | 499              | 498              |
| Investment return, net  | 987              | 1,009            |
| Other earned revenue  | 2,543            | 2,203            |
| <b>Total earned revenue</b>   | <b>25,734</b>    | <b>22,486</b>    |
| <b>Total support and earned revenue</b>                                       | <b>84,555</b>    | <b>82,658</b>    |
| Expenses:   |                  |                  |
| Operations  | 63,491           | 61,346           |
| Administrative  | 11,447           | 11,930           |
| Fundraising   | 9,467            | 9,229            |
| <b>Total expenses</b>   | <b>84,405</b>    | <b>82,505</b>    |
| <b>Support and revenues in excess of expenses before long-term activities</b> | <b>150</b>       | <b>153</b>       |
| Long-term activities:   |                  |                  |
| Designated Fund support from operations                                       | 1,807            | -                |
| Designated Fund net change  | 144              | 1,015            |
| Property Fund net change  | (2,551)          | (3,617)          |
| Temporarily restricted net change   | (747)            | (6,180)          |
| Permanently restricted net change   | 302              | (165)            |
| <b>Change in net assets</b>   | <b>(895)</b>     | <b>(8,794)</b>   |
| Net assets—beginning of year  | 95,259           | 104,053          |
| Net assets—end of year  | <b>\$ 94,364</b> | <b>\$ 95,259</b> |





**MINNESOTA  
PUBLIC RADIO®**