consolidated financial report

JUNE 30, 2011

MINNESOTA PUBLIC RADIO®

Minnesota Public Radio and Subsidiary

(An Affiliated Organization of American Public Media Group)

Contents

McGladrey

Independent Auditor's Report

To the Board of Trustees
Minnesota Public Radio

We have audited the accompanying consolidated statement of financial position of Minnesota Public Radio and Subsidiary (the Organization), as of June 30, 2011, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of the management of the Organization. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year's summarized comparative information was derived from the Organization's 2010 consolidated financial statements and, in our report dated October 21, 2010, we expressed an unqualified opinion on those consolidated financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2011 consolidated financial statements present fairly, in all material respects, the financial position of Minnesota Public Radio and Subsidiary as of June 30, 2011, and the results of their activities and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The additional Operating Fund, Property Fund, Designated Fund, and eliminations information presented in the consolidated statement of activities for 2011 and the supplemental information on page 22 are presented for the purpose of additional analysis of the basic consolidated financial statements, rather than to present the results of operations of the individual funds, and are not a required part of the basic consolidated financial statements. This additional information is the responsibility of the Organization's management. Such information has been subjected to the auditing procedures applied in our audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic consolidated financial statements taken as a whole.

McGladrey & Pullen, LLP

Minneapolis, Minnesota
October 24, 2011

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

Consolidated Statement of Activities
Year Ended June 30, 2011, with Comparative Totals for the Year Ended June 30, 2010
(In Thousands)

	Year Ended June 30, 2011								Year Ended June 30, 2010
	Unrestricted								
	Operating Fund	Property Fund	Designated Fund	Eliminations	Total	Temporarily Restricted	Permanently Restricted	**Consolidated Total**	Consolidated Total
Support from public:									
Individual gifts and membership	$ 17,056	$ -	$ 320	$ -	$ 17,376	$ 717	$ -	**$ 18,093**	$ 17,850
Individual gifts and membership released from restriction (rfr)	1,080	-	-	-	1,080	(1,080)	-	**-**	-
Regional underwriting	154	-	-	-	154	8,367	-	**8,521**	7,881
Regional underwriting rfr	8,276	19	-	-	8,295	(8,295)	-	**-**	-
National underwriting	76	-	-	-	76	14,793	-	**14,869**	9,905
National underwriting rfr	12,766	-	-	-	12,766	(12,766)	-	**-**	-
Business general support	264	-	-	-	264	621	-	**885**	732
Business general support rfr	871	-	-	-	871	(871)	-	**-**	-
Foundations	-	-	-	-	-	2,214	-	**2,214**	5,067
Foundations rfr	5,460	6	-	-	5,466	(5,466)	-	**-**	-
Grant from APMG Earned Endowment (Note 12)	3,502	-	2,790	-	6,292	-	-	**6,292**	7,046
Other intercompany grants	-	498	-	(498)	-	-	-	**-**	-
Educational sponsors	427	-	-	-	427	-	-	**427**	426
Other public support	402	(95)	-	-	307	(18)	-	**289**	187
Total support from public	50,334	428	3,110	(498)	53,374	(1,784)	-	**51,590**	49,094
Support from governmental agencies:									
Corporation for Public Broadcasting (CPB)	16	-	-	-	16	8,524	-	**8,540**	4,784
CPB grants rfr	4,335	139	-	-	4,474	(4,474)	-	**-**	-
Grants from other governmental agencies	-	280	-	-	280	233	-	**513**	1,048
Grants from other governmental agencies rfr	1,807	684	-	-	2,491	(2,491)	-	**-**	-
Total support from governmental agencies	6,158	1,103	-	-	7,261	1,792	-	**9,053**	5,832
Earned revenue:									
Revenue from operating activities	18,832	-	-	(82)	18,750	-	-	**18,750**	16,471
Royalties and licensing fees (Note 13)	547	-	805	-	1,352	-	-	**1,352**	1,348
Investment return, net (Note 5)	706	98	1,042	-	1,846	2,865	319	**5,030**	2,387
Other earned revenue	1,916	53	-	(287)	1,682	-	-	**1,682**	963
Total earned revenue	22,001	151	1,847	(369)	23,630	2,865	319	**26,814**	21,169
Total support and earned revenue	78,493	1,682	4,957	(867)	84,265	2,873	319	**87,457**	76,095
Expenses:									
Operations	57,594	4,616	5	(865)	61,350	-	-	**61,350**	55,780
Administrative	11,713	623	153	(2)	12,487	-	-	**12,487**	10,034
Fundraising	9,038	528	-	-	9,566	-	-	**9,566**	8,454
Grants to APMG (Note 12)	-	30	1,696	-	1,726	-	-	**1,726**	1,759
Total expenses	78,345	5,797	1,854	(867)	85,129	-	-	**85,129**	76,027
Change in net assets	148	(4,115)	3,103	-	(864)	2,873	319	**2,328**	68
Net assets—beginning of year	503	50,731	15,009	-	66,243	23,439	12,043	**101,725**	101,657
Net assets—end of year	$ 651	$ 46,616	$ 18,112	$ -	$ 65,379	$ 26,312	$ 12,362	**$ 104,053**	$ 101,725

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, 2011, with Comparative Totals for the Year Ended June 30, 2010
(In Thousands)

	Year Ended June 30, 2011				Year Ended June 30, 2010
	Operations	Administrative	Fundraising	**Consolidated Total**	Consolidated Total
Personnel	$ 26,625	$ 2,861	$ 4,050	**$ 33,536**	$ 31,183
Fringe benefits of personnel	5,835	465	814	**7,114**	6,957
Programming	13,164	-	-	**13,164**	10,634
Space costs	1,122	544	71	**1,737**	1,360
Utilities	1,916	65	6	**1,987**	1,900
Repairs and maintenance	2,151	14	-	**2,165**	1,977
Membership and development	-	-	1,442	**1,442**	1,092
Promotion and development	3,761	-	2,015	**5,776**	5,446
Travel and training	728	158	102	**988**	914
Other general expenses	854	2,889	101	**3,844**	2,108
Depreciation	3,922	122	396	**4,440**	4,851
Financial and other	1,272	5,369	569	**7,210**	5,846
Total expenses	$ 61,350	$ 12,487	$ 9,566	**$ 83,403**	$ 74,268

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, 2011, with Comparative Totals as of June 30, 2010
(In Thousands)

Assets	**2011**	2010
Current Assets		
Trade receivables, net (Note 4)	**$ 17,421**	$ 13,693
Pledges receivable, net (Note 4)	**81**	554
Grants receivable, net (Note 4)	**6,119**	6,998
Prepaid expenses	**1,035**	941
Inventory	**392**	383
Note receivable from APMG (Note 12)	**806**	806
Other	**354**	350
Total current assets	**26,208**	23,725
Net Property and Equipment (Note 6)	**45,918**	47,807
Other Assets		
Investments (Note 5)	**239**	1,823
Interest in investment pool (Note 5)	**16,799**	19,889
Endowment funds held by others and beneficial interest in trust	**24,205**	19,515
Trade receivables, net (Note 4)	**874**	416
Pledges receivable, capital campaign, net (Note 4)	**12**	50
Grant receivables, net (Note 4)	**2,411**	1,388
Affiliate receivable (Note 12)	**6,731**	6,731
Broadcast licenses not subject to amortization (Note 7)	**18,267**	18,267
Intangible assets subject to amortization, net (Note 7)	**475**	783
Note receivable from APMG, less current portion (Note 12)	**20,215**	21,020
Other assets	**383**	538
Total other assets	**90,611**	90,420
Total assets	**$ 162,737**	$ 161,952
Liabilities and Net Assets		
Current Liabilities		
Trade payables	**$ 1,852**	$ 1,471
Current portion of long-term obligations, net (Note 8)	**2,025**	1,838
Accrued liabilities	**4,581**	4,160
Deferred revenue (Note 13)	**965**	892
Refundable advance	**-**	250
Total current liabilities	**9,423**	8,611
Long-Term Liabilities		
Long-term obligations, less current portion, net (Note 8)	**28,136**	29,598
Interest rate swap	**910**	998
Deferred revenue, less current portion (Note 13)	**20,215**	21,020
Total liabilities	**58,684**	60,227
Commitments and Contingencies (Notes 8, 9 and 10)		
Net Assets		
Unrestricted	**65,379**	66,243
Temporarily restricted	**26,312**	23,439
Permanently restricted	**12,362**	12,043
Total net assets	**104,053**	101,725
Total liabilities and net assets	**$ 162,737**	$ 161,952

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, 2011, with Comparative Totals for the Year Ended June 30, 2010
(In Thousands)

	2011	2010
Cash Flows From Operating Activities		
Change in net assets	**$ 2,328**	$ 68
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	**4,823**	5,169
Unrealized (gains) losses on investments, net	**(253)**	331
Gains or losses on sale of assets	**14**	606
Increase in endowment funds held by others and beneficial interest in trust	**(4,690)**	(1,360)
Restricted contributions and grants	**(158)**	(267)
Grant to APMG	**805**	805
Loan forgiveness—City of Saint Paul	**(224)**	(232)
Decrease (increase) in assets:		
Accounts, pledges and taxes receivable, net	**(4,185)**	(1,513)
Grants receivable, net	**(746)**	(254)
Prepaid expenses	**(94)**	(230)
Inventory and other assets	**197**	327
Increase (decrease) in liabilities:		
Accounts payable—trade and accrued liabilities	**778**	(460)
Refundable advance	**(250)**	(94)
Deferred revenue	**(732)**	(753)
Total adjustments	**(4,715)**	2,075
Net cash (used in) provided by operating activities	**(2,387)**	2,143
Cash Flows From Investing Activities		
Purchase of property and equipment	**(2,540)**	(1,172)
Purchase of investments	**(7,504)**	(1,644)
Proceeds from sale of investments	**9,254**	-
Net (purchases) sales of investment pool	**3,089**	142
Net cash provided by (used in) investing activities	**2,299**	(2,674)
Cash Flows From Financing Activities		
Receipts of restricted contributions and grants	**1,270**	946
Principal payments on long-term debt	**(10,434)**	(1,525)
Borrowings on long-term debt	**9,040**	-
Debt issuance cost	**(162)**	-
Premium received on issue of long-term debt	**374**	-
Due to (from) parent	**-**	1,110
Net cash provided by financing activities	**88**	531
Net change in cash and cash equivalents	**-**	-
Cash and Cash Equivalents—beginning of year	**-**	-
Cash and Cash Equivalents—end of year	**$ -**	$ -
Supplemental Disclosures of Noncash Investing Activities		
Addition to net property and equipment funded through accounts payable—trade	**$ 67**	$ 91
Reduction of loan to APMG including interest, via grant	**1,726**	1,759
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for interest	**$ 851**	$ 674

See Notes to Consolidated Financial Statements.

Note 1. Nature of Business and Organization

Organization and description of business: Minnesota Public Radio (MPR) is a not-for-profit corporation whose mission is to inform, enrich and nourish its audiences, assisting them to engage effectively as citizens, enhance their lives, expand their perspectives and strengthen 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 corporation whose purpose is to maintain and operate the Fitzgerald Theater in Saint Paul, Minnesota, to provide valuable rehearsal and performance space for noncommercial educational public radio programs and for nonprofit 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 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.

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 the Organization for a three-year period, the Organization then recognizes all the future support as temporarily restricted in the year the contribution is first made; the Organization then releases (reclassifies from temporarily restricted net assets) the contribution as unrestricted support over each of the three years specified by the donor.

Temporarily restricted net assets at June 30, 2011, were restricted for the following purposes:

Program support and underwriting	$ 16,639,000
Capital projects	691,000
Undistributed earnings on endowment funds held by others	8,982,000
Total	$ 26,312,000

Permanently restricted: This classification includes net assets subject to donor-imposed restrictions that stipulate the resources be maintained in perpetuity, but permit the Organization to use or expend the income received from the donated assets for operating purposes. Permanently restricted net assets at June 30, 2011, consist of the following:

Endowment funds held by others	$ 9,641,000
Beneficial interest in trust	2,721,000
Total	$ 12,362,000

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

Summarized financial information for the year ended June 30, 2010: The consolidated financial statements include certain prior-year summarized comparative information in total, but not by net asset class. 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, 2010, from which the summarized information was derived. Consolidated financial statements from prior years are available on the Organization's website. Certain amounts in the prior-year summarized comparative information were reclassified to be consistent with the presentation in the current-year consolidated financial statements. These reclassifications had no impact on changes in net assets as previously presented.

Revenue recognition:

Recognition of support and revenue: Contributions, which include unconditional promises to give cash and other assets, are reported at fair value at the date the asset or promise is received. The gifts are reported as temporarily or permanently restricted support if they are received with donor restrictions that limit the use of the donated assets.

Note 2. Summary of Significant Accounting Policies (Continued)

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

Royalties and licensing fees: The Organization recognizes revenue for royalties and licensing fees from 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.

Barter transactions: The Organization provides on-air and web underwriting for certain goods and services. Underwriting support is recognized at fair value and released from restriction when the spots run. Barter expense is recorded when the goods or services are used or received. During the year ended June 30, 2011, barter support of $1,241,000 and barter expenses of $1,505,000 are reflected in the consolidated statement of activities.

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:

	Years
Building	32–40
Equipment	3–20

Leasehold improvements are amortized over the shorter of the lease term or 40 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 Organization did not recognize any impairment charge for the year ended June 30, 2011.

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 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 is measured by a comparison of the unamortized balance of the asset to future undiscounted cash flows.

Note 2. Summary of Significant Accounting Policies (Continued)

If the unamortized balance was estimated to be unrecoverable, the Organization would recognize an impairment charge necessary to reduce the unamortized balance 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.

The Organization is engaged in certain activities that result in unrelated business income. For the years ended June 30, 2011, MPR recorded an estimated tax expense included in administrative expenses that amounted to $91,000.

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, 2007. 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.

Note 2. Summary of Significant Accounting Policies (Continued)

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, 2011, 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 retained 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 as increases 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.

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, 2011, MPR paid interest expense of $329,000, and received no interest income toward the monthly swap settlement, which is shown as a part of investment return, net, on the consolidated statement of activities. As of June 30, 2011, the notional amount of the swap is $9,500,000. 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, 2011, the outstanding fair value of the agreement was $910,000, 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.

Note 2. Summary of Significant Accounting Policies (Continued)

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.

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.

New accounting standards: In January 2010, the Financial Accounting Standards Board (FASB) issued Update No. 2010-06 to ASC 820*, Fair Value Measurements and Disclosures—Improving Disclosures About Fair Value Measurements*, which requires new disclosures and reasons for transfers between Level 1 and Level 2 measurements under the fair value hierarchy. This amendment also clarifies that disclosures about inputs and valuation techniques are required for both Level 2 and Level 3 measurements. The amendment further clarifies that the reconciliation of Level 3 measurements should separately present purchases, sales, issuances and settlements instead of netting these changes. The Organization adopted this standard for the fiscal year ended June 30, 2011.

In August 2009, the FASB issued Update No. 2009-05 to ASC 820, *Fair Value Measurements and Disclosures—Measuring Liabilities at Fair Value* for the fair value measurement of liabilities. This amendment provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more prescribed techniques. The amendment also clarifies that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability. The amendment further clarifies that both a quoted price in an active market for the identical liability at the measurement date and the quoted price for the identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required, are Level 1 fair value measurements under the fair value hierarchy. The Organization adopted this standard for the fiscal year ended June 30, 2011.

Subsequent events: The Organization has considered subsequent events through October 24, 2011, 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.

The carrying values of receivables (trade, pledges, notes, affiliate and grants), trade payables and accrued liabilities are reasonable estimates of their fair values due to discounting or the short-term nature and terms of these financial instruments. Investments are carried at fair value. The fair value of long-term obligations approximates their carrying value based on current rates for obligations with similar remaining maturities offered to similar not-for-profit organizations.

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.

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.

Fair values of actively traded money market funds and mutual funds are based on quoted market prices. Fair values of inactively traded debt securities, money market funds and certificates of deposit are based on quoted market prices of identical or similar securities based on observable inputs like interest rates using a market valuation approach. 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, which is based on quoted market prices of the securities. The endowment fund held by others and the beneficial interest in trust are recorded at the value of the underlying investments, which approximates the present value of the future payment stream the Organization will receive. The interest rate swap liability is recorded using ASC 820 criteria, which include mark-to-market valuations and nonperformance risk (i.e., credit risk).

Note 3. Fair Value Measurements (Continued)

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

	June 30, 2011			
	Level 1	Level 2	Level 3	Total
Interest in APMG investment pool	$ -	$ 16,799,000	$ -	$ 16,799,000
Money market funds	12,000	-	-	12,000
Fixed-income mutual funds	27,000	-	-	27,000
Equity mutual funds	47,000	-	-	47,000
Private equities	-	-	147,000	147,000
Endowment fund held by others	-	-	21,484,000	21,484,000
Beneficial interest in trust	-	-	2,721,000	2,721,000
Interest rate swap	-	-	(910,000)	(910,000)
Total	$ 86,000	$ 16,799,000	$ 23,442,000	$ 40,327,000

Fair value measurements using Level 3 inputs for the year ended June 30, 2011:

	Private Equities	Interest Rate Swap	Interest in Trust	Fund Held by Others
Beginning fair value	$ 164,000	$ (998,000)	$ 2,401,000	$ 17,114,000
Contribution to endowment fund held by others	-	-	-	1,513,000
Distributions	-	-	(96,000)	(959,000)
Unrealized gains/losses in investments	(17,000)	-	-	-
Change in value	-	88,000	416,000	3,816,000
Ending fair value	$ 147,000	$ (910,000)	$ 2,721,000	$ 21,484,000

The unrealized losses of $17,000 included in the consolidated statement of activities relate to investments held at June 30, 2011.

Note 4. Receivables

Receivables: Unconditional promises to give due in the next year are reported at their net realizable value as current assets in the 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 interest rates applicable to the years in which the promises are received. The present value discount was $42,000 at June 30, 2011. 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, 2011, the Organization had received conditional promises to give of $10,104,000.

Net trade, pledges and grants receivable at June 30, 2011, were due as follows:

In less than one year	$ 23,621,000
In one to five years	3,289,000
In greater than five years	8,000
Total	$ 26,918,000

Note 4. Receivables (Continued)

Allowance for doubtful accounts: The Organization estimates an allowance for doubtful accounts based on a review of outstanding accounts as well as considering historical experience. Receivables are presented net of allowances for doubtful accounts of $1,130,000 at June 30, 2011, to provide for estimated bad debts.

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.

Note 5. Investments

Risks and uncertainties: The Organization's investments include an interest in the investment pool. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities 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.

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, 2011, consisted of the following:

Interest in investment pool	$ 16,799,000
Money market funds	12,000
Fixed-income mutual funds	27,000
Equity mutual funds	47,000
Cash value insurance policy	6,000
Private equities	147,000
Total	$ 17,038,000

The composition of investments held at June 30, 2011, were designated as follows:

MPR Board-Designated Fund	$ 8,496,000
MPR capital campaigns	5,586,000
MPR reserves	2,875,000
MPR charitable gift annuities	81,000
Total	$ 17,038,000

Note 5. Investments (Continued)

Net investment return for the year ended June 30, 2011, consisted of the following:

Interest income	$ 656,000
Realized losses	(112,000)
Unrealized gains	166,000
Change in value of interest rate swap	88,000
Change in value of endowment funds held by others and beneficial interest in trust	4,232,000
Total	$ 5,030,000

Investments held are to support the long-term needs of the Organization. MPR's interest in investment pool was $16,799,000 at June 30, 2011. 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 and commercial paper 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 at any time. 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 facilities, content initiatives, and other broadcasting infrastructure. Unrestricted funds are accounted for in the Property Fund, and restricted funds are classified accordingly.

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, 2011, consisted of the following:

Property and equipment:	
Land	$ 8,750,000
Building and leasehold improvements	44,674,000
Equipment	25,554,000
Construction in progress	1,258,000
Total	80,236,000
Less accumulated depreciation and amortization	34,318,000
Net property and equipment	$ 45,918,000

Total depreciation expense and amortization of leasehold improvements was $4,440,000 for the year ended June 30, 2011, and was recorded in the Property Fund.

Construction in progress: Construction in progress at June 30, 2011, represents costs incurred in connection with acquisition and implementation of media infrastructure projects.

Note 7. Broadcast Licenses and Other Intangibles

Broadcast licenses and other intangibles at June 30, 2011, consisted of the following:

	Weighted-Average Remaining Life in Years	2011
Intangibles subject to amortization (primarily program rights)	2	$ 2,797,000
Less accumulated amortization		2,322,000
		475,000
Broadcast licenses (not subject to amortization)		18,267,000
Total		$ 18,742,000

Total amortization expense charged to operations was $308,000 for the year ended June 30, 2011, and is recorded in financial and other on the consolidated statement of functional expenses.

Note 8. Long-Term Obligations

Long-term obligations at June 30, 2011, 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, with interest due monthly (0.1% as of June 30, 2011), maturing May 1, 2025; secured by an irrevocable letter of credit of $10,224,521, which expires on November 15, 2015	$ 10,100,000
$9,040,000 fixed-rate, Housing and Redevelopment Authority of the City of Saint Paul Revenue Refunding Bonds (Minnesota Public Radio Project)—Series 2010, issued at a premium, with interest due semiannually (2.0% to 5.0% as of June 30, 2011), maturing December 1, 2025	9,382,000
$10,000,000 variable-rate, Housing and Redevelopment Authority of the City of Saint Paul Demand Revenue Bonds (Minnesota Public Radio Project)—Series 2002, with interest due monthly (0.1% as of June 30, 2011), maturing May 1, 2022; secured by an irrevocable letter of credit of $8,422,575, which expires on November 15, 2015	8,320,000
$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.	1,828,000
$218,000 note payable to the Saint Paul Foundation, with payments due at such time that operating savings from district heating systems are realized. Interest at 6.0% will accrue when savings are realized, and payments of 75.0% of such operating savings will be payable, first to repay accrued interest and then principal.	218,000
$1,750,000 payable to Public Radio International (PRI), payable in 28 quarterly installments of $62,500 through June 30, 2012; interest imputed at 3.6%	244,000
Charitable gift annuities payable	69,000
Total long-term obligations	30,161,000
Less amounts due within one year	2,025,000
Long-term portion	$ 28,136,000

The Housing and Redevelopment Authority of the City of Saint Paul, Minnesota, (the Authority) issued Revenue Refunding Bonds, (Minnesota Public Radio Project)—Series 2010 (Series 2010 Bonds) in the original aggregate principal amount of $9,040,000, issued at a net premium of $374,000. The proceeds of the bonds were used to refund the outstanding principal amount of the Authority's $10,000,000 Variable Rate Demand Revenue Bonds, Series 2005 (the Series 2005 Bonds), which provided partial financing for the acquisition, remodeling and equipping of MPR's facilities located at 480 Cedar Street, Saint Paul, Minnesota. The 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 bonds. The bonds were issued on December 1, 2010, and will mature on December 1, 2025. Interest on the bonds is fixed and is payable semiannually, due June 1 and December 1, commencing June 1, 2011. In addition to certain nonfinancial covenants, APMG is required to maintain a ratio of unrestricted cash and investments to indebtedness of no less than 1.0-to-1.0.

Note 8. Long-Term Obligations (Continued)

The principal balance of Series 2010 Bonds is netted against any related unamortized premium of the bond sale. Bond premiums are deferred and amortized over the life of the bonds as a decrease to interest expense using the effective-interest-rate method of amortization. Amortization expense for the year ended June 30, 2011, is recorded in administrative expenses in the consolidated statement of activities.

Interest on the Series 2005-7 and 2002 bonds (the Bonds) is based on a daily remarketing process; however, the rate is not to exceed 10.0 percent. Based on the redemption schedule, MPR redeemed $950,000 of the Bonds during the year ended June 30, 2011. The Bonds can also be tendered on certain dates by the bondholders. The remarketing agreements provide for a “best efforts” remarketing of any bonds tendered.

On October 28, 2010, MPR entered into an agreement with JPMorgan Chase Bank, N.A. as the letter of credit provider for the Series 2005-7 and Series 2002 bonds. The JPMorgan Chase letters of credit replaced original letters of credit with Allied Irish Bank, p.l.c, New York. The replacement letters of credit were established for five years, expiring on November 15, 2015, unless terminated. The letters of credit are for an amount 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. The letters of credit are also secured by the guarantee provided to the trustee by APMG. In addition to certain nonfinancial covenants, APMG is required to maintain a ratio of unrestricted cash and investments to indebtedness of no less than 1.2-to-1.0.

While there is no assurance that the letters of credit can be renewed, it is management’s intention to renew both of its letters of credit. The scheduled maturities of the long-term obligations, assuming the variable-rate demand bonds are remarketed and letters of credit are renewed over the terms of the bonds, are as follows:

Years Ending June 30,	
2012	$ 2,025,000
2013	1,841,000
2014	1,907,000
2015	1,976,000
2016	2,062,000
Thereafter	20,350,000
Total	$ 30,161,000

In the event the Bonds are not remarketed and amounts are drawn on the letters of credit, such amounts are due in quarterly installments of one-twelfth the amount of the draw, beginning in the calendar quarter one year after the draw date. Additionally, any outstanding draws would be due in full on the earlier of the date of remarketing of the related bonds or termination of the letter of credit. There were no amounts outstanding on the letters of credit for bonds that were not remarketed as of June 30, 2011.

The Organization incurred $851,000 of interest expense during the year ended June 30, 2011.

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 $1,737,000 for the year ended June 30, 2011, 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, 2011, are as follows:

Years Ending June 30,	
2012	$ 932,000
2013	823,000
2014	716,000
2015	595,000
2016	536,000
Thereafter	1,801,000
Total	$ 5,403,000

Note 10. Commitments and 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, 2011, employee contributions were matched 100 percent by the Organization up to 6.0 percent of qualified employees' base compensation through December 31, 2010, and 6.5 percent thereafter. 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 contributed $1,575,000 for the year ended June 30, 2011.

Note 12. Affiliated and Related-Party Organizations

The Organization is charged by APMG for its estimated share of various administrative services and costs incurred on its behalf. For the year ended June 30, 2011, these charges totaled $4,913,000 and are included in administrative expenses.

For the year ended June 30, 2011, MPR charged SCPR $443,000 for providing various operational services and facilities costs. These payments of $214,000 and $229,000 are reflected in other earned revenue and revenue from operating activities, respectively, for MPR. MPR gave a grant to SCPR for programming services of $98,000, which is included in operations expenses on the statement of activites.

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

MPR charged CSF $147,000 for personnel costs incurred on its behalf related to programming and operating costs during the year ended June 30, 2011. These payments are reflected in other earned revenue. MPR provided a grant of programming services to CSF in the amount of $28,000 for the year ended June 30, 2011, that 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 contributing members of MPR. Included in fundraising expense is $472,000 charged under this arrangement for the year ended June 30, 2011.

Under an agreement with MPR, GMG produces a consumer show on MPR's behalf. In addition to direct expense reimbursement, GMG was paid a production fee, recorded in operations, of $50,000 for the year ended June 30, 2011.

In October 1998, the APMG Board of Trustees approved setting aside $85.6 million from the net proceeds of the sale of Rivertown Trading Company, an indirect, wholly owned, for-profit subsidiary, as quasi-endowment 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 $6,292,000 for the year ended June 30, 2011, to MPR from the Earned Endowment. Under the terms of the Earned Endowment, 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, 2011, the market value of the Earned Endowment held by APMG was $123,830,000.

The MPR Board of Trustees approved a note in the amount of $24,168,000 to APMG. The note, which bears interest at 4.2 percent, is to be repaid over a period of 30 years. For the year ended June 30, 2011, $806,000 due to be repaid on the note and $890,000 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, 2011, is $6,731,000 and is reflected as affiliate receivable in the consolidated statement of financial position.

Note 13. Educational Broadband Service (EBS) Frequencies Contracts

During the year ended June 30, 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 further 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 terms on a straight-line basis. During the year ended June 30, 2011, the Organization recognized $805,000 as licensing fees in the consolidated statement of activities.

Supplemental Information

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

Schedule of Operating Fund and Long-Term Activities
For the Year Ended June 30, 2011 with Comparative Totals for the Year Ended June 30, 2010
(In Thousands)

	Total FY11	Total FY10
Operating Fund activities:		
Support from public:		
Individual gifts and membership	**$ 18,136**	$ 15,854
Regional underwriting	**8,430**	7,963
National underwriting	**12,842**	9,831
Business general support	**1,135**	1,015
Foundations	**5,460**	6,136
Grant from APMG Earned Endowment	**3,502**	2,546
Educational sponsors	**427**	426
Other public support	**402**	301
Total support from public	**50,334**	44,072
Support from governmental agencies:		
Corporation for Public Broadcasting	**4,351**	4,574
Grants from other governmental agencies	**1,807**	1,346
Total support from governmental agencies	**6,158**	5,920
Earned revenue:		
Revenue from operating activities	**18,832**	16,554
Royalties and licensing fees	**547**	543
Investment return, net	**706**	730
Other earned revenue	**1,916**	1,679
Total earned revenue	**22,001**	19,506
Total support and earned revenue	**78,493**	69,498
Expenses:		
Operations	**57,594**	51,521
Administrative	**11,713**	9,862
Fundraising	**9,038**	8,003
Total expenses	**78,345**	69,386
Support and revenues in excess of expenses before long-term activities	**148**	112
Long-term activities:		
Designated Fund support from operations	**2,040**	3,751
Designated Fund net change	**1,063**	1,731
Property Fund net change	**(4,115)**	(4,734)
Temporarily restricted net change	**2,873**	(910)
Permanently restricted net change	**319**	118
Change in net assets	**2,328**	68
Net assets—beginning of year	**101,725**	101,657
Net assets—end of year	**$ 104,053**	$ 101,725

MINNESOTA PUBLIC RADIO
480 CEDAR STREET | SAINT PAUL, MN 55101

MPR.ORG