CONSOLIDATED FINANCIAL REPORT JUNE 30, 2016

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

MINNESOTA PUBLIC RADIO®

MINNESOTA PUBLIC RADIO AND SUBSIDIARIES
(AN AFFILIATED ORGANIZATION OF AMERICAN PUBLIC MEDIA GROUP)
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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Minnesota Public Radio and Subsidiaries
St. Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Minnesota Public Radio and Subsidiaries (the Organization), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Minnesota Public Radio and Subsidiaries as of June 30, 2016, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Prior Year Financial Statements

The consolidated financial statements of Minnesota Public Radio and Subsidiaries as of June 30, 2015 were audited by other auditors whose report, dated October 14, 2015, expressed an unqualified opinion on those financial statements.

Report on Summarized Comparative Information

In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited consolidated financial statements and related supplemental information from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The additional Operating Fund, Property Fund and Designated Fund information presented in the consolidated statement of activities for 2016 and the supplemental information on page 24 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 13, 2016

MINNESOTA PUBLIC RADIO AND SUBSIDIARIES
(AN AFFILIATED ORGANIZATION OF AMERICAN PUBLIC MEDIA GROUP)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2015)
(IN THOUSANDS)

	2016	2015
ASSETS		
CURRENT ASSETS		
Program Receivables, Net (Note 4)	$ 14,310	$ 14,880
Pledges Receivable, Net (Note 4)	319	1
Grants Receivable, Net (Note 4)	4,482	5,063
Interest in Investment Pool (Note 5)	1,680	2,456
Prepaid Expenses	1,807	1,523
Inventory	128	155
Note Receivable from APMG (Note 13)	806	806
Other	393	433
Total Current Assets	23,925	25,317
PROPERTY AND EQUIPMENT, NET (NOTE 7)	41,745	43,077
OTHER ASSETS		
Investments (Note 5)	1,209	589
Interest in Investment Pool (Note 5)	10,757	5,521
Endowment Funds Held by Others and Beneficial Interest in Trust (Note 2)	29,057	30,013
Program Receivables, Net (Note 4)	1	1
Pledges Receivable, Capital Campaign, Net (Note 4)	1,205	10
Grants Receivable, Net(Note 4)	649	2,911
Affiliate Receivable (Note 13)	6,054	5,964
Broadcast Licenses Not Subject to Amortization (Note 8)	18,300	18,267
Intangible Assets Subject to Amortization, Net (Note 8)	350	389
Note Receivable from APMG, Less Current Portion (Note 13)	16,187	16,992
Other Long-Term Assets	407	714
Total Other Assets	84,176	81,371
Total Assets	$ 149,846	$ 149,765
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Trade Payables	$ 3,009	$ 3,357
Current Portion of Long-Term Debt, Net (Note 9)	2,298	2,250
Accrued Liabilities	7,115	6,192
Deferred Revenue	1,598	2,017
Other Current Liabilities	27	-
Interest Rate Swap (Note 2 and 3)	-	160
Total Current Liabilities	14,047	13,976
LONG-TERM LIABILITIES		
Long-Term Debt, Less Current Portion, Net (Note 9)	18,353	20,803
Deferred Revenue, Less Current Portion (Note 14)	16,469	16,992
Other Long-Term Liabilities	138	-
Total Long-Term Liabilities	34,960	37,795
Total Liabilities	49,007	51,771
NET ASSETS		
Unrestricted	65,424	62,167
Temporarily Restricted	22,334	22,617
Permanently Restricted	13,081	13,210
Total Net Assets	100,839	97,994
Total Liabilities and Net Assets	$ 149,846	$ 149,765

See accompanying Notes to Consolidated Financial Statements.

MINNESOTA PUBLIC RADIO AND SUBSIDIARIES
(AN AFFILIATED ORGANIZATION OF AMERICAN PUBLIC MEDIA GROUP)
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)
(IN THOUSANDS)

	2016								2015
	Unrestrictted								
	Operating Fund	Property Fund	Designated Fund	Eliminations	Total	Temporarily Restricted	Permanently Restricted	Consolidated Total	Consolidated Total
SUPPORT FROM PUBLIC									
Individual Gifts and Membership	$ 20,359	$ -	$ 161	$ -	$ 20,520	$ 831	$ 111	$ 21,462	$ 20,992
Individual Gifts and Membership - Released from Restriction (RFR)	811	7	-	-	818	(818)	-	-	-
Regional Underwriting	11,715	-	-	-	11,715	50	-	11,765	10,851
Regional Underwriting - RFR	50	-	-	-	50	(50)	-	-	-
National Underwriting	17,520	-	-	-	17,520	-	-	17,520	17,003
Business General Support	312	-	-	-	312	431	-	743	757
Business General Support - RFR	466	-	-	-	466	(466)	-	-	-
Foundations	-	-	-	-	-	1,784	-	1,784	2,975
Foundations - RFR	2,858	-	-	-	2,858	(2,858)	-	-	-
Grants from APMG Earned Endowment	4,305	-	2,500	-	6,805	-	-	6,805	6,438
Other Intercompany Grants	993	823	1,740	(3,556)	-	88	-	88	190
Educational Sponsors	395	-	-	-	395	-	-	395	454
Other Public Support	86	90	-	-	176	(16)	-	160	203
Other Public Support - RFR	(16)	-	-	-	(16)	16	-	-	-
Campaign Support	-	-	-	-	-	4,852	-	4,852	1,212
Campaign Support - RFR	1,274	221	-	-	1,495	(1,495)	-	-	-
Total Support from Public	61,128	1,141	4,401	(3,556)	63,114	2,349	111	65,574	61,075
SUPPORT FROM GOVERNMENTAL AGENCIES									
Corporation for Public Broadcasting	-	-	-	-	-	4,294	-	4,294	4,574
Corporation for Public Broadcasting - RFR	4,338	-	-	-	4,338	(4,338)	-	-	-
Grants from Other Governmental Agencies	-	378	-	-	378	24	-	402	4,574
Grants from Other Governmental Agencies - RFR	1,603	397	-	-	2,000	(2,000)	-	-	-
Total Support from Governmental Agencies	5,941	775	-	-	6,716	(2,020)	-	4,696	9,148
EARNED REVENUE									
Earned Operating Activities	24,638	-	-	(68)	24,570	-	-	24,570	22,055
Royalties and Licensing Fees	160	-	806	-	966	-	-	966	969
Investment Return, Net	1,154	151	703	-	2,008	(612)	(240)	1,156	2,910
Other Earned Revenue	3,197	3,414	-	(294)	6,317	-	-	6,317	3,136
Total Earned Revenue	29,149	3,565	1,509	(362)	33,861	(612)	(240)	33,009	29,070
Total Support and Earned Revenue	96,218	5,481	5,910	(3,918)	103,691	(283)	(129)	103,279	99,293
EXPENSES AND LOSSES									
Operations	72,651	3,607	600	(1,789)	75,069	-	-	75,069	71,787
Selling, General and Administrative	10,688	1,128	-	(389)	11,427	-	-	11,427	12,378
Fundraising	11,110	503	781	-	12,394	-	-	12,394	12,016
Intercompany Grants	1,740	-	1,544	(1,740)	1,544	-	-	1,544	1,578
Total Expenses	96,189	5,238	2,925	(3,918)	100,434	-	-	100,434	97,759
Loss on Debt Extinguishment	-	-	-	-	-	-	-	-	114
Total Expenses and Losses	96,189	5,238	2,925	(3,918)	100,434	-	-	100,434	97,873
CHANGE IN NET ASSETS	29	243	2,985	-	3,257	(283)	(129)	2,845	1,420
Net Assets - Beginning of Year	1,136	35,063	25,968	-	62,167	22,617	13,210	97,994	96,574
NET ASSETS - END OF YEAR	$ 1,165	$ 35,306	$ 28,953	$ -	$ 65,424	$ 22,334	$ 13,081	$ 100,839	$ 97,994

See accompanying Notes to Consolidated Financial Statements.

MINNESOTA PUBLIC RADIO AND SUBSIDIARIES
(AN AFFILIATED ORGANIZATION OF AMERICAN PUBLIC MEDIA GROUP)
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)
(IN THOUSANDS)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 2,845	$ 1,420
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	4,216	4,289
Unrealized Gains on Investments and Interest Rate Swap	(255)	(185)
Change in Value of Endowment Funds Held by Others and Beneficial Interest in Trust	(179)	(941)
Contributions and Grants Restricted for Capital Projects and Permanent Endowment	(4,882)	(1,088)
Grant to APMG	805	806
Loan Forgiveness - City of Saint Paul	(333)	(312)
Loss on Debt Extinguishment	-	114
(Increase) Decrease in Assets:		
Program and Pledges Receivable, Net	531	(1,116)
Grants Receivable, Net	2,323	(855)
Prepaid Expenses, Inventory and Other Assets	(284)	(403)
Inventory and Other Assets	124	(325)
Due from (to) Affiliate	(90)	(58)
Increase (Decrease) in Liabilities:		
Trade Payable and Accrued Liabilities	617	1,366
Deferred Revenue	(982)	(1,369)
Other Liabilities	180	-
Total Adjustments	1,791	(77)
Net Cash Provided by Operating Activities	4,636	1,343
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(2,589)	(3,582)
Purchase of Investments	(38)	(329)
Proceeds from Sale of Investments	2	122
Change in Interest in Investment Pool, Net	(4,460)	2,548
Purchase of Intangible Assets	(33)	(405)
Additions to Endowment Funds Held by Others and Beneficial Interest in Trust	-	(86)
Distributions from Endowment Funds Held by Others and Beneficial Interest in Trust	1,135	1,094
Net Cash Used by Investing Activities	(5,983)	(638)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts of Contributions and Grants Restricted for Capital Projects and Permanent Endowment	3,397	316
Principal Payments on Long-Term Debt	(2,035)	(16,406)
Principal Payments on Capital Lease	(15)	-
Debt Issuance Cost	-	(185)
Borrowings on Long-Term Debt	-	15,570
Net Cash Provided (Used) by Financing Activities	1,347	(705)
NET CHANGE IN CASH AND CASH EQUIVALENTS	-	-
Cash and Cash Equivalents - Beginning of Year	-	-
CASH AND CASH EQUIVALENTS - END OF YEAR	$ -	$ -

See accompanying Notes to Consolidated Financial Statements.

MINNESOTA PUBLIC RADIO AND SUBSIDIARIES
(AN AFFILIATED ORGANIZATION OF AMERICAN PUBLIC MEDIA GROUP)
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)
(IN THOUSANDS)

	2016	2015
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	$ 803	$ 739
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND OPERATING ACTIVITIES		
Addition to Property and Equipment Funded through Trade Payable	$ -	$ 77
Reduction of Loan to APMG Including Interest, Via Grant	$ 1,545	$ 1,578
Loss on Debt Extinguishment	$ -	$ 114
Non-Cash Addition of Property and Equipment	$ 260	$ -

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 NATURE OF BUSINESS AND ORGANIZATION

Organization and Description of Business

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

MPR operates its regional program production and broadcasting activities under the name “Minnesota Public Radio” and its national program production and distribution activities under the name “American Public Media.”

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statement Presentation

These consolidated financial statements include the accounts of the Organization. All intercompany accounts and transactions have been eliminated upon consolidation.

Net assets, support, and gains and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows.

Unrestricted

This classification contains net assets that are not subject to donor-imposed restrictions and are available for support of the operations of the Organization. The Organization maintains the following unrestricted funds:

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Financial Statement Presentation (Continued)

Unrestricted (Continued)

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

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

Temporarily Restricted

This classification includes net assets subject to donor-imposed restrictions. The restrictions are satisfied either by the passage of time or by actions of the Organization. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as support released from restriction (e.g., Individual Gifts and Membership-Released from Restriction (RFR)). For example: when a donor specifies its contribution is to support MPR for a three-year period, MPR recognizes all the future support as temporarily restricted in the year the contribution is first made; MPR then releases (reclassifies from temporarily restricted net assets) the contribution as unrestricted support over each of the three years specified by the donor. Earnings on temporarily restricted endowment funds are restricted until drawn upon.

Temporarily restricted net assets at June 30, 2016 were restricted for the following purposes:

Program Support	$ 9,732,000
Capital Projects	515,000
Undistributed Earnings on Endowment Funds Held by Others	12,087,000
Total	$ 22,334,000

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, 2016 consisted of the following:

Endowment Funds Held by Others	$ 9,812,000
Beneficial Interest in Trust	2,867,000
Named Endowments	402,000
Total	$ 13,081,000

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

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

Summarized Financial Information for the Year Ended June 30, 2015

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, 2015, from which the summarized information was derived. Consolidated financial statements for the prior year are available on MPR's website, mpr.org.

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 available to meet the Organization's cyclical demands for working capital.

Revenue Recognition

Support from Public and Governmental Agencies

The Organization receives unconditional promises and gifts of cash and other assets (support) from the public, including individuals, members, businesses, foundations, educational sponsors, and others; and from governmental agencies (donors). Support is reported at fair value on the date it is received. To the extent support includes a donor-imposed restriction, the support is reported as temporarily or permanently restricted, as described earlier in Note 2. When the donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted support is reclassified as unrestricted support and reported in the consolidated statement of activities as support released from restriction (e.g., Individual Gifts and Membership-Released from Restriction (RFR)). Conditional promises to give are not included as support until such time as the conditions are substantially met.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Support from Public and Governmental Agencies (Continued)

The Organization receives conditional support from the underwriters of its programming (underwriting), who are thanked with on-air and web messages within MPR programming (spots). Temporarily restricted underwriting support is related to membership challenges and is released from restriction when the membership challenge has been met. Underwriting is generally recognized as unrestricted support as the spots are run. The Organization may also receive goods and services (barter assets) from its underwriters. Barter expense is recorded when the goods are used or the services are received. For the year ended June 30, 2016, barter support of $847,000 and barter expenses of $792,000 are reflected in the consolidated statement of activities. To the extent cash or barter assets (support) is received before the spots are run, the support is reported as deferred revenue in the consolidated statement of financial position.

Earned Operating Activities

The Organization recognizes earned operating revenue largely from the distribution of its content (distribution) and ticket sales. Distribution is earned when content is provided to subscribing broadcasters. Revenue from ticket sales is earned when a live event occurs.

Royalties and Licensing Fees

The Organization recognizes revenue from royalties and licensing fees for the use of its intellectual property. Revenue is recognized as earned based on contractual agreements or when the intellectual property is made available for use.

Investment Return

Interest and dividend income is recorded when earned. Realized gains and losses are recorded when the investments are sold. Unrealized gains and losses represent the change in fair value between reporting periods.

Other Earned Revenue

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

Inventories

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

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

	Years
Building	32-45
Equipment	3-20

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

Investments, Including Interest in Investment Pool

Investments are carried at fair value. As defined in FASB Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, fair value is the price that would be received to sell the asset or paid to transfer the liability (an exit price). Cash and money market funds that the Organization intends to utilize for long-term projects are reported as other assets.

Endowment Funds Held by Others

The Organization has board-designated and donor-restricted endowment funds (the Fund) invested at the Minnesota Community Foundation (MCF). Under the terms of the agreement establishing the Fund, the Organization received an annual distribution of 5% for the year ended June 30, 2016, of the 20-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. The endowment fund held by others is stated at fair value. Distributions are unrestricted and are reported as decreases to temporarily restricted net assets and increases to unrestricted net assets, within the investment return, net, in the consolidated statement of activities.

Beneficial Interest in Trust

The Oakleaf Endowment Trust for MPR (the Trust) was established by private donors on June 30, 1997, to maintain and enhance the quality of MPR. An annual distribution is made to MPR based on a formula specified in the Trust that is intended to ensure that payments to MPR from all of its other endowment funds do not exceed their earnings above inflation, but which may not be less than 1% of the fair market value of the Trust as of the end of the preceding year. Okabena Company manages the assets of the Trust. The beneficial interest in trust is stated at fair value. Changes in fair value are recorded in permanently restricted net assets. Distributions are unrestricted and are reported as decreases to permanently restricted net assets and increases to unrestricted net assets, within investment return, net, in the consolidated statement of activities.

Intangible Assets

Intangible assets are recorded at cost. Finite-life intangible assets are amortized over their estimated useful lives of 5 to 15 years using the straight-line method.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment Analysis of Broadcast Licenses Not Subject to Amortization

Broadcast licenses are considered indefinite-lived intangibles and are recorded at cost and tested annually on June 30 for impairment, or more frequently if an event occurs or circumstances change that would indicate an impairment in accordance with ASC 350, *Intangibles-Goodwill and Other*.

The unit of accounting used to test broadcast licenses includes all licenses owned and operated within an individual market, as such licenses are used together, are complementary to each other, and are representative of the best use of those assets.

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

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

Impairment Analysis of Other Long-Lived Assets

Other long-lived assets, such as property and equipment, are evaluated for impairment whenever events or changes in circumstances indicate the carrying value of an asset group may not be recoverable. The long-lived assets are evaluated for potential impairment by comparing the carrying amount of these assets to the estimated undiscounted future cash flows expected to result from the use of these assets. Should the sum of the related expected future net cash flows be less than the carrying amount, an impairment loss would be recognized. The Organization concluded its other long-lived assets were not impaired, and no impairment was recorded for the year ended June 30, 2016.

Other Assets

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

Allocation of Expenses

The Organization's costs of providing its various services have been classified on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among operations, administrative and fundraising activities. Most expenses are charged directly to these functional areas where possible. Remaining expenses are allocated using the best available method, primarily head count.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 year ended June 30, 2016, MPR recorded an estimated tax expense included in administrative expenses that amounted to $51,000.

The Organization has adopted certain provisions of ASC Topic 740, *Income Taxes*. The provisions clarify the accounting for uncertainty in income taxes recognized in an organization's financial statements and prescribe a recognition threshold and measurement standard for the financial statement recognition and measurement of an income tax position taken or expected to be taken in a tax return. The Organization has reviewed its tax positions for all open tax years and has concluded that there are no uncertain tax positions that require recognition.

Interest Rate Swap

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

On January 13, 2006, MPR entered into a 10-year amortizing interest rate swap agreement (the agreement) with Allied Irish Bank, New York, with an initial aggregate notional amount of $10,000,000. Under the agreement, MPR was the fixed-rate payer, and Allied Irish Bank was the floating-rate payer. The fixed rate of interest was 3.5% and the fixed-rate day count fraction was 30/360. The floating rate was 70.0% of London interbank offered rate. MPR paid or received a monthly settlement based on the difference between the fixed and floating rates. During the year ended June 30, 2016, MPR paid interest expense of $124,000 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. In January 2016, the interest rate swap expired and as of June 30, 2016, the notional amount of the swap and the outstanding fair value of the agreement was $-0-. The change in the fair value of the agreement is included in investment return, net, on the consolidated statement of activities.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 13, 2016, the date of issuance, in preparing the consolidated financial statements and notes; there were none to report.

NOTE 3 FAIR VALUE MEASUREMENTS

ASC Topic 825, *Financial Instruments*, requires disclosure of fair value information about financial instruments, whether or not recognized in the consolidated statement of financial position, for which it is practicable to estimate that value. ASC Topic 825 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements.

ASC Topic 820 establishes a framework for measuring fair value and expands the disclosures about fair value measurements. Input levels as defined by ASC Topic 820 are as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices of identical financial assets and liabilities in active markets accessible at the measurement date. The inputs include those traded on an active exchange, such as the New York Stock Exchange.

Level 2 – Financial assets and liabilities are valued using inputs such as quoted prices for similar assets and liabilities, or inputs that are observable, either directly or indirectly.

Level 3 – Financial assets and liabilities are valued using pricing inputs that are unobservable for the assets and liabilities or inputs that reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

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

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

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

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

	Level 1	Level 2	Level 3	Total
Interest in APMG Investment Pool	$ -	$ 12,437,000	$ -	$ 12,437,000
Money Market Funds	2,000	-	-	2,000
Fixed-Income Mutual Funds	56,000	-	-	56,000
Equity Mutual Funds	1,015,000	-	-	1,015,000
Private Equities	-	-	136,000	136,000
Beneficial Interest in Trust	-	-	2,867,000	2,867,000
Endowment Fund Held by Others	-	-	26,190,000	26,190,000
Total	$ 1,073,000	$ 12,437,000	$ 29,193,000	$ 42,703,000

Changes in fair value measurements using Level 3 inputs for the year ended June 30, 2016 were as follows:

	Private Equities	Beneficial Interest in Trust	Endowment Funds Held by Others	Total
Beginning Investments at Fair Value	$ 65,000	$ 3,107,000	$ 26,906,000	$ 30,078,000
Distributions	-	(29,000)	(1,106,000)	(1,135,000)
Unrealized Gains	71,000	-	-	71,000
Change in Value	-	(211,000)	390,000	179,000
Ending Investments at Fair Value	$ 136,000	$ 2,867,000	$ 26,190,000	$ 29,193,000

The unrealized gains of $71,000 included in the consolidated statement of activities relate to investments held at June 30, 2016.

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

Program, 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, calculated using a two-year treasury bill rate, which were between 0.47% and 0.64%, was $38,000 at June 30, 2016. Amortization of the discount is reported on the support from public and governmental agencies lines associated with the initial transactions within the consolidated statement of activities.

Conditional promises to give are not included as support until such time as the conditions are substantially met. At June 30, 2016, the Organization had received conditional pledges and grants of $10,000,000 and conditional underwriting program receivables of approximately $9,730,000 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 $897,000 at June 30, 2016.

Pledges Receivable

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

Grants Receivable

Grants receivable are unconditional promises to give to support the general operating or capital needs of the Organization.

Program Receivables

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

Net program, pledges, and grants receivable at June 30, 2016 were due as follows:

In Less than One Year	$ 19,111,000
In One to Five Years	2,504,000
In Greater than Five Years	5,405,000
Total	$ 27,020,000

NOTE 5 INVESTMENTS

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

Investments at June 30, 2016 consisted of the following:

Interest in Investment Pool	$ 12,437,000
Money Market Funds	2,000
Fixed-Income Mutual Funds	56,000
Equity Mutual Funds	1,015,000
Private Equities	136,000
Total	$ 13,646,000

Net investment return for the year ended June 30, 2016 consisted of the following:

Interest income	$ 797,000
Realized Gains, Net	9,000
Unrealized Losses, Net	54,000
Change in Value of Interest Rate Swap	117,000
Change in Value of Endowment Funds Held by Others and Beneficial Interest in Trust	179,000
Total	$ 1,156,000

Investments are reported in the consolidated statement of financial position based on the Organization's intended use. MPR's interest in investment pool was $12,437,000 at June 30, 2016. The investment pool consists of fixed-income securities (government-sponsored enterprises and corporate certificates of deposit and notes), cash, and cash equivalents (money market fund and investments in government-sponsored enterprises with original maturities of three months or less) held by APMG. The funds held by APMG represent actual funds on hand at APMG and are available to MPR. Investment return is allocated to MPR on a monthly basis based upon the average investment balances.

NOTE 6 DONOR-RESTRICTED ENDOWMENT

MPR has created donor-restricted endowment funds to support programming. The investment and spending policies for these endowment funds include objectives to provide a predictable stream of funding to the programs supported and to maintain the purchasing power of the endowment funds. The spending policy designates an annual distribution of 5% of the 20-quarter average market value of the endowments' assets. Annual distributions will commence once contributions to an endowment fund reach $50,000. A distribution of $13,000 was made for the year ended June 30, 2016, to support classical music content.

NOTE 6 DONOR-RESTRICTED ENDOWMENT (CONTINUED)

The original value of support to a donor-restricted endowment is classified as permanently restricted net assets. Accumulated net investment return on the donor-restricted funds is classified as temporarily restricted net assets, unless directed otherwise by a donor.

Changes in endowment net assets for the year ended June 30, 2016 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	$ -	$ -	$ 352,000	$ 352,000
Contributions to Endowment	-	-	50,000	50,000
Net Losses, Realized and Unrealized	-	6,000	-	6,000
Appropriation of Endowment Assets for Expenditure	-	(13,000)	-	(13,000)
Endowment Net Assets, End of Year	$ -	$ (7,000)	$ 402,000	$ 395,000

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2016 consisted of the following:

Property and Equipment:	
Land	$ 8,702,000
Building and Leasehold Improvements	46,604,000
Equipment	40,762,000
Construction in Progress	339,000
Total	96,407,000
Less: Accumulated Depreciation and Amortization	(54,662,000)
Net Property and Equipment	$ 41,745,000

Total depreciation expense and amortization of leasehold improvements was $4,181,000 for the year ended June 30, 2016, and was recorded in the Property Fund.

Construction in Progress

Construction in progress at June 30, 2016 represents costs incurred in connection with the acquisition and implementation of media infrastructure projects.

NOTE 8 BROADCAST LICENSES AND OTHER INTANGIBLES

Broadcast licenses and other intangibles at June 30, 2016 consisted of the following:

	Weighted-Average Remaining Life in Years	Amount
Intangibles Subject to Amortization (Revenue Contracts)	10.5	$ 405,000
Less: Accumulated Amortization		(55,000)
		350,000
Broadcast Licenses (Not Subject to Amortization)		18,300,000
Total		$ 18,650,000

Total amortization expense charged to operations was $39,000 for the year ended June 30, 2016, and is recorded in operations expense on the consolidated statement of activities.

NOTE 9 LONG-TERM DEBT

Long-term debt at June 30, 2016 consisted of the following:

Description	Amount
$9,040,000 fixed-rate, Housing and Redevelopment Authority of the City of Saint Paul Revenue Refunding Bonds (Minnesota Public Radio Project)—Series 2010 (Series 2010 bonds), issued at a premium, with interest due semiannually (2% to 5% as of June 30, 2016), maturing December 1, 2025.	$ 6,671,000
$15,510,000 fixed-rate, Housing and Redevelopment Authority of the City of Saint Paul Revenue Refunding Bonds (Minnesota Public Radio Project)—Series 2014, with interest due semiannually (2.52% as of June 30, 2016), maturing May 1, 2025.	13,625,000
$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.	355,000
Total Long-Term Debt	20,651,000
Less: Amounts Due Within One Year	2,298,000
Long-Term Portion	$ 18,353,000

NOTE 9 LONG-TERM DEBT (CONTINUED)

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.

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

The Series 2014 Bonds were issued on December 1, 2014, and will mature on May 1, 2025, and are structured as unrated and unenhanced bonds purchased by ONT Asset Trust (the Purchaser), a wholly owned subsidiary of JP Morgan Chase Bank N.A., directly from the Authority. On December 1, 2014, MPR entered into a continuing covenant agreement, in which the Purchaser agreed to purchase the Series 2014 Bonds directly from the Authority through May 1, 2025. The Series 2014 Bonds are secured by a guaranty provided by APMG whereby APMG guarantees the payments when due for the principal and interest. Interest on the 2014 Series Bonds is fixed at 2.52% and is payable semiannually, due on May 1 and November 1, over the life of the Series 2014 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 1.2-to-1.0.

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

Years Ending June 30,	Amount
2017	$ 2,298,000
2018	1,992,000
2019	2,046,000
2020	2,120,000
2021	1,510,000
Thereafter	10,685,000
Total	$ 20,651,000

The Organization incurred $675,000 of interest expense on long-term debt during the year ended June 30, 2016.

NOTE 10 LEASES

The Organization leases office, studio and transmission facilities under noncancelable operating leases. Total rent expense for all operating leases, including month-to-month leases and one-time rentals, was $2,112,000 for the year ended June 30, 2016.

Minimum future payments required under noncancelable operating leases as of June 30, 2016 are as follows:

Years Ending June 30,	Amount
2017	$ 1,484,000
2018	1,460,000
2019	1,448,000
2020	628,000
2021	547,000
Thereafter	2,675,000
Total	$ 8,242,000

NOTE 11 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.

MPR has commitments related to media content agreements of $5,043,000 through 2017.

NOTE 12 RETIREMENT PLAN

The Organization participates in APMG's 403(b) tax-deferred retirement plan (the Plan), which provides for qualified employees to make contributions to the Plan through payroll deductions. For the year ended June 30, 2016, employee contributions were matched 100.0% by the Organization up to 6.5% of qualified employees' base compensation (matching contributions). The Organization made matching contributions of $2,006,000 for the year ended June 30, 2016.

NOTE 13 AFFILIATED AND RELATED-PARTY ORGANIZATIONS

The Organization is charged by APMG for its share of various administrative services and costs incurred on its behalf. For the year ended June 30, 2016, these charges totaled $6,005,000 and are included in administrative expenses.

For the year ended June 30, 2016, MPR charged SCPR $1,221,000 for providing various operational services and facilities costs. These payments of $328,000 and $729,000 are reflected in other earned revenue and revenue from operating activities, respectively, for MPR. MPR provided a grant to SCPR for programming services of $164,000, which is included in operations expenses on the consolidated statement of activities.

In 1998, the APMG Board of Trustees created a quasi-endowment for the benefit of MPR (the Earned Endowment). Contributions to the Earned Endowment have come from the proceeds of the sale of for-profit subsidiaries, appreciated assets, and other prepaid contracts. The investment policy adopted by the APMG Board of Trustees includes a spending policy designating an annual distribution of 5% of the 20 quarter average market value of the Earned Endowment. APMG granted $6,805,000 for the year ended June 30, 2016, 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, 2016, the fair market value of the Earned Endowment held by APMG was $153,739,000.

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%, is to be repaid over a period of 30 years. For the year ended June 30, 2016, $806,000 due to be repaid on the note and $739,000 of accrued interest was forgiven by a grant to APMG from MPR (also see Note 14).

In 2002, APMG pledged $7,000,000 to support MPR's capital campaign project. APMG has the authority to make payments on this pledge with amounts and timing at its discretion. APMG will at least make payments to the extent needed by MPR to repay MPR's bonds as they become due. The pledge balance at June 30, 2016, was $6,054,000, net of present value discount of $677,000, and is reflected as affiliate receivable in the consolidated statement of financial position.

NOTE 14 EDUCATIONAL BROADBAND SERVICE (EBS) FREQUENCIES CONTRACTS

In 2008, the Organization entered into contracts with Nextel Spectrum Acquisition Corporation (Sprint Nextel) and Clearwire Corporation (Clearwire), in accordance with Federal Communications Commission (FCC) rules, to lease excess capacity on its EBS frequencies. Under the terms of the contracts, MPR remains the licensee on the EBS frequencies and has responsibility for compliance with all educational and other requirements imposed by the FCC. The contracts provided that total lease payments of $25,000,000 be paid at the inception of the agreements. The contracts provide for initial lease periods of 15 years with the option to renew the agreements for an additional 15 years. The agreements contain acquisition rights subject to FCC rules. The total revenue from these contracts of $25,000,000, less $831,000 of costs incurred to execute the agreements, is being recognized over the 30-year lease term on a straight-line basis. During the year ended June 30, 2016, the Organization recognized $806,000 as licensing fees in the consolidated statement of activities. As of June 30, 2016, $16,992,000 of deferred revenue related to the EBS contracts is included on the consolidated statement of financial position.

NOTE 15 RELATED PARTY CONTRIBUTIONS

During the year ended June 30, 2016, employees and members of the MPR Board of Trustees provided contributions of $3,589,923 to the Organization.

MINNESOTA PUBLIC RADIO AND SUBSIDIARIES
(AN AFFILIATED ORGANIZATION OF AMERICAN PUBLIC MEDIA GROUP)
SCHEDULE OF OPERATING FUND AND LONG-TERM ACTIVITIES
YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2015)
(IN THOUSANDS)

	2016	2015
OPERATING FUND		
SUPPORT FROM PUBLIC		
Individual Gifts and Membership	$ 21,170	$ 20,976
Regional Underwriting	11,765	10,851
National Underwriting	17,520	17,003
Business General Support	778	801
Foundations	2,858	3,703
Grant from APMG Earned Endowment	4,305	4,109
Other Intercompany Grants	993	164
Educational Sponsors	395	454
Other Public Support	70	126
Campaign Support	1,274	205
Total Support from Public	61,128	58,392
SUPPORT FROM GOVERNMENTAL AGENCIES		
Corporation for Public Broadcasting	4,338	4,179
Grants from Other Governmental Agencies	1,603	1,619
Total Support from Governmental Agencies	5,941	5,798
EARNED REVENUE		
Revenue from Operating Activities	24,638	22,130
Royalties and Licensing Fees	160	163
Investment Return, Net	1,154	1,085
Other Earned Revenue	3,197	3,439
Total Earned Revenue	29,149	26,817
Total Support and Earned Revenue	96,218	91,007
EXPENSES		
Operations	72,651	68,485
Administrative	10,688	11,469
Fundraising	11,110	11,025
Intercompany Grants	1,740	-
Total Expenses	96,189	90,979
Support and Revenue in Excess of (Less than) Expenses Before Long-Term Activities	29	28
LONG-TERM ACTIVITIES		
Designated Fund Support from (to) Operations	3,240	1,428
Designated Fund Net Change	(255)	281
Property Fund Net Change	243	(2,395)
Temporarily Restricted Net Change	(283)	1,899
Permanently Restricted Net Change	(129)	179
Total Long-Term Activities	2,816	1,392
CHANGE IN NET ASSETS	2,845	1,420
Net Assets - Beginning of Year	97,994	96,574
NET ASSETS - END OF YEAR	$ 100,839	$ 97,994