

PUBLIC RADIO CAPITAL



VISIONARY IDEAS  
STRONG COMMUNITIES  
GREAT PUBLIC MEDIA



2011  
ANNUAL REPORT



“We look forward to exciting work with public media operators who understand that stations are community anchor institutions with relevance beyond broadcast.”

Photo: Iowa Public Radio's Pat Blank hosts "All Things Considered" with Katherine Perkins during a pledge drive.

## BOARD MEMBERS

**Teresa Bryce Bazemore**  
Vice-Chair  
Philadelphia, Pennsylvania

**Carolyn Grinstein**  
Chair  
Seattle, Washington

**Marc Hand**  
Managing Director  
Marin, California

**Susan Harmon**  
Seattle, Washington

**Ken Ikeda**  
Managing Director  
Oakland, California

**William King**  
Nashville, Tennessee

**Josh Mallamud**  
Secretary/Treasurer  
Los Angeles, California

# CHAIR'S LETTER

Across the nation, public media is the one to trust—in times of emergency, to keep local institutions accountable, to link the global to the local, to enliven cultural experience, and to bring people together.

At Public Radio Capital, we look forward to exciting work with public media operators who understand that stations are community anchor institutions with relevance beyond broadcast. We are indebted to the dedicated funders who value public media's contribution to American democracy.

To expand the impact of public media in American life, we launched a new nonprofit organization, Public Media Company (PMC), in 2011. PMC's work complements the catalytic impact of PRC by delivering a new array of options for public media ownership and operations. We anticipate two strong, independent organizations collaborating on behalf of public media in the future.

We acknowledge with special gratitude the significant contribution to PRC of our co-founder and former Managing Director, Susan Harmon, who retired at the end of 2011. Fortunately, Susan's contributions continue as a PRC board member. In addition, I want to acknowledge our long serving board members and former board chairs Leo Martinez and Jan Nicholson, whose leadership and engagement in public media will continue as board members for PMC.

Thank you for being a part of our work. Our shared commitment has made 2011 a very good year. With your help, 2012 will be even better.



Best Regards,

*Lyn Grinstein*

*Chair*

*Board of Directors*

# WHAT WE DO

PRC's mission is to strengthen and expand public media to provide local communities nationwide with more in-depth information, unbiased news, diverse music and cultural programming.

We do that by:

- Conducting market analyses to assess license values and public radio opportunities
- Delivering proprietary business modeling to illustrate the potential of public radio acquisition and operating strategies
- Acquiring radio channels with and for public media providers
- Improving access to capital with loans from the Public Radio Fund and educating clients on financial options
- Bringing together and facilitating productive public media partnerships
- Promoting public radio opportunities in local communities, at industry conferences, in the financing community and in the general media
- Providing outreach to college, university and school board public radio owners to increase revenue and maximize public services
- Partnering with national foundations and local organizations to implement projects that strengthen the public media industry

# BY THE NUMBERS

- **4.8 MILLION PEOPLE** gained access to new public radio signals/services through five PRC transactions<sup>1</sup>
- PRC transactions in Pennsylvania, Utah and Rhode Island preserved the local public radio service for over **2.3 MILLION PEOPLE**
- **39 CLIENTS** received PRC services in **22 DIFFERENT STATES** from Alaska to Florida
- **29 GRANTS/GIFTS** from foundation and individuals totaling **MORE THAN \$525,000** supported the work of PRC
- **3 PUBLIC RADIO ORGANIZATIONS** applied for and received Public Radio Fund loans
- **1 NEW 501(c)3** nonprofit organization, Public Media Company, was created by PRC

<sup>1</sup> One of the transactions is pending final FCC approval



“This American Life” with host Ira Glass engages listeners from coast to coast.

Courtesy of This American Life

# MANAGERS' LETTER

We are pleased to share this 2011 Annual Report on our continuing progress and are grateful for your ongoing support as we navigate a rapidly evolving national landscape.

While economic and political threats to public media persist, we have seen a tremendous level of activity and engagement amongst stations that reflects the strength of public media. A number of university and college licensees have sought to expand station capacity and reach to amplify their communications efforts.

Quality journalism remains a touchstone to local culture as the stories from within communities continue to inspire and engage audiences. We are in a period of opportunity, for new partnerships and operating models, alliances between TV and radio, the inclusion of diverse voices, and efficient operating models.

We are excited by what we see before us. Change is difficult yet we see an opportunity for public media to re-engineer itself for future generations. We are invested in media that respects and challenges our intelligence and helps us understand our world—from the neighborhood to the far reaches of the globe. That's the mission of public media, and what PRC seeks to achieve in all of our work.

Thank you for being a part of our commitment and our success.

Best Regards,

*Marc Hand  
Ken Ikeda*

Marc Hand



Ken Ikeda



## PUBLIC RADIO CAPITAL STAFF

**Dennis Hamilton**  
Director of Consulting

**Marc Hand**  
Managing Director & Co-Founde

**Anne Benedict Hovland**  
Director of Development

**Ken Ikeda**  
Managing Director

**Evrans Kavlak**  
Consulting and Credit Manager

**Erik Langner**  
Director of Acquisitions and Legal Affairs

**Erin Moran**  
Chief Financial Officer  
Chief Operating Officer

**Terri Olsen**  
Accounting and Operations Administrator

**Russ Otten**  
Financial Analyst

# NEW JERSEY

## CHANGING THE LANDSCAPE

A nighttime photograph of a cityscape, likely New Jersey, featuring a prominent bridge with illuminated steel trusses in the foreground. The bridge spans across a body of water, which reflects the lights from the bridge and the buildings in the background. The city skyline includes several tall buildings, some with lit windows, and an American flag is visible on one of the buildings. The sky is a deep blue, suggesting dusk or dawn.

“Public Radio Capital’s expertise was well-rounded and impressive. PRC understands the value of a license, how to operate a station and they also know the players in the field. It is remarkable what we were able to accomplish in only six months. Without PRC, this process would have been extremely difficult.”

**Gregg Edwards**  
Director of Policy and Planning for the  
State of New Jersey

# CREATING CONNECTIONS

## ADVISOR

PRC was hired as financial advisor to help the State of New Jersey implement its 2011 law mandating outsourcing the operation of the state's public television network and selecting buyers for the state's public radio stations. PRC wrote the requests for proposals, evaluated potential candidates and assisted as a consultant during final negotiations.

New York's WNET will operate the New Jersey Television network for the next five years. New York Public Radio, which operates WNYC and WQXR, acquired four state-owned radio licenses while Philadelphia public broadcaster WHYY bought the remaining five radio licenses. Several of these newly operated stations are creatively positioned to offer additional Jersey-focused news and cultural programming, improving public media services for the people in New Jersey.

# KENTUCKY

## CHANGING THE LANDSCAPE

“ WNKU has become an integral part of the civic and cultural fabric of our region. In its 25 years, the station has established itself as an industry leader. [This transaction] reflects the value we, as an institution, place in this community treasure. ”

**James C. Votruba**  
Northern Kentucky University President

# STRENGTHENING COMMUNITIES

## BROKER

In January 2011, PRC brokered Northern Kentucky University's acquisition of 105.9 WPFB AM/FM and 104.1 WPAY FM as part of a network of stations that broadcasts the 89.7 WNKU public radio signal to more than 3.3 million people.

The \$6.75 million acquisition, which will be funded over 20 years, puts this station on a direct path to financial self-sufficiency by dramatically increasing its geographic reach within the region and more than tripling its current population footprint. The deal expands the station's academic collaboration with the university.

## 2011 Brokerage Clients



“With PRC, we knew we had found the perfect partners to acquire and transform WDUQ into the all-news and information format the Pittsburgh market needed. We were able to tap into the full breadth of talent that PRC provides, extending our reach into their “knowledge network”. With PRC as our partner, we could navigate the challenges, adapt to changing dynamics, and stay true to our vision and plan.”

**Marco Cardamone**  
Board of Directors Chairman  
Essential Public Media

# CHANGING THE LANDSCAPE



# LEVERAGING OPPORTUNITIES

## CONSULTANT

### **John D. and Catherine T. MacArthur Foundation**

The project focused on examining contemporary research to create a comprehensive analysis and review of existing public media news, public affairs and TV documentary audiences (TV, radio, online and mobile), and non-consuming audiences. The work has illuminated how the value of public media can be leveraged for the way content is produced, distributed and consumed with today's technologies. These insights will help inform licensees, funders, stakeholders and management as they examine future investment opportunities across public media.

### **Essential Public Media**

In Pittsburgh, PRC helped public radio station WYEP create a wholly owned subsidiary, Essential Public Media (EPM), to successfully acquire Duquesne University's station and build a full time news and information outlet. In addition to extensive consulting on matters of governance, management and fund development, PRC's Director of Consulting, Dennis Hamilton, served as Interim Executive Director for much of the summer of 2011. EPM's new station, 90.5 Essential Public Radio, recently expanded services with the launch of Essential Pittsburgh, a locally-produced program dedicated to in-depth exploration of critical issues impacting Pittsburgh and Western Pennsylvania.

# FUND ADVISORY COUNCIL

**Farnum Brown**  
Durham, NC

**Henry Cheng**  
New York, NY

**Roberto Colindres**  
Sao Paulo, Brazil

**Debra Delman**  
Washington, DC

**Tim Doke**  
Dallas, TX

**Carolyn Grinstein**  
Medina, WA

**Khira Griscavage**  
Berkeley, CA

**Fred Marienthal**  
Denver, CO

**Jan Nicholson**  
New York, NY

**Richard Rampell**  
West Palm Beach, FL

**Kimberly Swain Cantor**  
New York, NY

# THE FUND



PUBLIC RADIO FUND

Since its inception in 2007, the Public Radio Fund (PRF) has lent a total of \$7.6 million (or 86%) of the \$8.8 million that we have raised in investor notes. An additional \$22.6 million in additional lending to public media entities has been leveraged through our loans. The eight PRF loans have helped preserve, strengthen or expand the total local public broadcasting programming by over 19,000 hours on an annual basis.

Loans from PRF have increased public media services, funded short-term working capital needs, and introduced new public media programming. As the only lending source in the country dedicated to financing public radio's future, we are grateful to investors for our growing lending pool and the opportunity to provide visionary stations with affordable short-term loans.



*Erin Moran*  
Fund Manager

# THE FUND BY THE NUMBERS



Two loans totaling more than \$1 million were paid back in full



maintained or increased their weekly audience during 2011



\$150,000 was raised from two new investors



PRF closed on three loans with a total commitment of up to \$1.3 million. The three borrowers reach a combined total population of over 2.75 million people



PRF has requests for loans of more than \$4 million in 2012



## DENVER EDUCATIONAL BROADCASTING (KUVU)

A working capital loan of \$500,000 has allowed KUVU to undertake new strategic initiatives to better serve their ethnically diverse audience. These initiatives include a partnership with Denver Public Schools (DPS) on the new education program “Giant Steps” which will start in August 2012. KUVU has also been exploring ways to strengthen their partnerships with local PBS affiliate Rocky Mountain PBS, and WNYC in New York.



## MARFA PUBLIC RADIO

An acquisition loan of \$175,000 enabled MPR in West Texas to bring public radio services to Odessa, TX, increasing the station’s population coverage from 10,000 to 250,000 people. Reaching a larger population base also provides MPR with opportunities for economies of scale and access to a new market for corporate and listener support.



## RADIO BILINGÜE

A bridge loan of \$590,000 helped Radio Bilingüe continue to provide its Spanish language programming for Latino audiences while awaiting reimbursement for past work. Although the loan was only for seven months, it alleviated cash flow issues and allowed RB to focus on delivering its programming.



**Staff of Marfa Public Radio - Anne Adkins, Rachel Osier Lindley and Tom Michael.**  
Photograph by Chase Lindley.



**Jorge Ramirez, Sound Engineer and Samuel Orozco, Director, News and Information Radio Bilingüe.**

**KUVO's Fall Membership Drive with former Takeaway host Nathan Heffel and Alfredo Cruz.**  
Photo copyright Michael Pappas, 2011



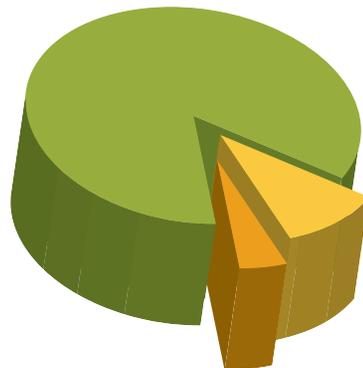
# FINANCIALS

Public Radio Capital had revenues of nearly \$2 million in 2011, resulting in an increase in net assets of \$173,000. PRC continues to have an overall solid financial position with net assets in excess of \$1.8 million. Program services account for 89% percent of PRC's functional expenses. 2012 is expected to be another strong year for PRC. Brokerage activity is expected to be robust with many public broadcasters looking to expand their services.

The Fund's interest income and origination fees exceeded its interest expense during 2011. This is a trend we seek to maintain. In order to improve its net asset position, \$7,000 at December 31, 2011, the Fund is actively seeking grants to bolster its net asset position and to support its operational costs. Our minimal net assets at year-end are due in part to a \$361,000 loan loss reserve. No actual losses have been incurred. In addition, in 2012 the Fund is restructuring its Investor Notes to allow for revolving notes.

## PUBLIC RADIO CAPITAL (PARENT)

PROGRAM SERVICE	89.2%
MANAGEMENT	8.4%
FUNDRAISING	2.4%



## PUBLIC RADIO FUND

PROGRAM SERVICE	97.8%
MANAGEMENT	2.2%
FUNDRAISING	0.0%



## Public Radio Capital (PARENT) STATEMENT OF FINANCIAL POSITION

for the year ended December 31, 2011 (in 000s)

Current Assets	1,636
Property and Equipment, net	6
Noncurrent Receivables, net	164
Other Assets	101
<b>TOTAL ASSETS</b>	<b>1,907</b>

Current Liabilities	95
<b>TOTAL LIABILITIES</b>	<b>95</b>

Net Assets	1,507
Temp. Restricted Net Assets	305
<b>TOTAL NET ASSETS</b>	<b>1,812</b>

**TOTAL LIABILITIES & NET ASSETS 1,907**

## STATEMENT OF ACTIVITIES

REVENUE AND SUPPORT	
Earned Revenue	1,261
Support	526
In-kind Support	119
Other	50
<b>Total revenue and support</b>	<b>1,956</b>
EXPENSE	1,783
INCREASE IN NET ASSETS	173
NET ASSETS, BEGINNING OF YEAR	1,639
<b>NET ASSETS, as of Dec 31, 2011</b>	<b>1,812</b>

## Public Radio Fund STATEMENT OF FINANCIAL POSITION

for the year ended December 31, 2011 (in 000s)

Cash for lending	4,780
Other Current Assets	22
Current Note Receivables	643
Noncurrent Receivables, net	3,216
Other Assets	12
<b>TOTAL ASSETS</b>	<b>8,673</b>

Current Liabilities	86
Current Note Payables	3,080
Noncurrent Note Payables	5,500
<b>TOTAL LIABILITIES</b>	<b>8,666</b>

Net Assets	7
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>8,673</b>

## STATEMENT OF ACTIVITIES

REVENUE AND SUPPORT	
Interest	275
Fees	20
Expense Reimbursement	15
<b>Total revenue and support</b>	<b>309</b>
EXPENSE	
Interest	291
Loan Loss Reserve	114
Other Expenses	49
Total Expenses	454
INCREASE (DECREASE) IN NET ASSETS	(145)
NET ASSETS, BEGINNING OF YEAR	152
<b>NET ASSETS, as of Dec 31, 2011</b>	<b>7</b>

# DONORS AND FUND INVESTORS

- Many Individual and Anonymous Donors
- Argosy Foundation
- Annenberg Foundation
- Calvert Foundation \*
- Calvert Giving Fund \*
- David B. Gold Foundation
- Doris Duke Charitable Foundation
- FJC Foundation\*
- Ford Foundation \*
- Hull Family Foundation \*
- ImpactAssets \*
- Individual Investors – (9) \*
- John D. and Catherine T. MacArthur Foundation
- Nonprofit Finance Fund \*
- NPR, Inc. \*
- Open Society Institute \*
- Otto Haas Charitable Trust # 1 and 2
- The Pittsburgh Foundation
- Rockefeller Brothers Fund
- The San Francisco Foundation\*
- Surdna Foundation
- BASE Family Fund of Tides Foundation
- Trillium Investors (14)\*
- Vervane Foundation \*
- Wyncote Foundation
- Woodcock Foundation\*

*\* Denotes 2011 Donors or active Investor in the Fund*

# THANK YOU!



[WWW.PUBLICRADIOCAPITAL.ORG](http://WWW.PUBLICRADIOCAPITAL.ORG) | [WWW.PUBLICRADIOFUND.ORG](http://WWW.PUBLICRADIOFUND.ORG)