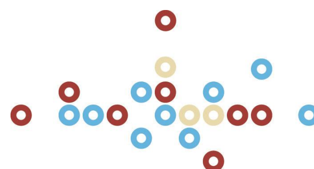
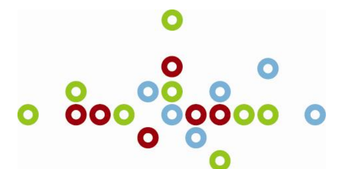
REPORT ON AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2005 and 2004





Deloitte.

Deloitte & Touche LLP
400 One Financial Plaza
120 South Sixth Street
Minneapolis, MN 55402-1844
USA

Tel: +1 612 397 4000
Fax: +1 612 397 4450
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Minnesota Public Radio
Saint Paul, Minnesota

We have audited the accompanying consolidated statement of financial position of Minnesota Public Radio and subsidiaries (the "Organization"), an affiliated organization of American Public Media Group, as of June 30, 2005, 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 summarized comparative information has been derived from the Organization's June 30, 2004, consolidated financial statements and, in our report dated November 24, 2004, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2005, and the consolidated results of its activities, functional expenses, 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 and property consolidating information presented in the consolidated statement of activities, consolidated statement of financial position, and consolidated statement of functional expenses for 2005 is 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 is not a required part of the basic consolidated financial statements. This additional consolidating 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 2005 consolidated financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic 2005 consolidated financial statements taken as a whole.

November 30, 2005

MINNESOTA PUBLIC RADIO AND SUBSIDIARIES
(An Affiliated Organization of American Public Media Group)

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005
(With comparative totals for the year ended June 30, 2004) (In thousands)

	Unrestricted								Year Ended
	Operating Fund	Property Fund	Designated Fund	Interfund Elimi-nations	Total	Temporarily Restricted	Permanently Restricted	Consol-idated Total	June 30, 2004 Total
SUPPORT FROM PUBLIC:									
Membership	$11,452	$ -	$ -	$-	$11,452	$ -	$ -	$11,452	$10,580
Membership released from restriction	2				2	(2)			
Regional underwriting	2,488				2,488	4,942		7,430	5,909
Regional underwriting released from restriction	4,515				4,515	(4,515)			
National underwriting	1,670				1,670	6,567		8,237	4,764
National underwriting released from restriction	6,039				6,039	(6,039)			
Business general support	603	29			632	105		737	712
Business general support released from restrictions	94				94	(94)			
Foundations	116				116	1,960		2,076	793
Foundations released from restriction	1,520				1,520	(1,520)			
Grants from endowments (Notes 9 and 10)	4,500	3	882		5,385			5,385	4,947
Other intercompany grants (Note 9)	576	758		(45)	1,289			1,289	552
Educational sponsors	392	419			811			811	413
Other public support	10				10			10	
Total support from public	33,977	1,209	882	(45)	36,023	1,404		37,427	28,670
SUPPORT FROM GOVERNMENTAL AGENCIES:									
Corporation for Public Broadcasting (CPB)	82	20			102	5,409		5,511	6,966
CPB grants released from restriction	5,746	201			5,947	(5,947)			
Grants from other government agencies	651	269			920	415		1,335	540
Grants from other government agencies released from restriction	43				43	(43)			
Total support from governmental agencies	6,522	490			7,012	(166)		6,846	7,506
EARNED REVENUE:									
Revenue from broadcasting activities	11,579			(57)	11,522	3		11,525	11,177
Royalties and licensing fees	1,731		1,980		3,711			3,711	1,652
Investment return—net (Notes 2 and 10)	69	105	182		356		1,015	1,371	2,406
Other	1,425	73	3	(64)	1,437			1,437	1,841
Total earned revenue	14,804	178	2,165	(121)	17,026	3	1,015	18,044	17,076
Total support and earned revenue	55,303	1,877	3,047	(166)	60,061	1,241	1,015	62,317	53,252
EXPENSES:									
Operations	41,605	3,440	220	(166)	45,099			45,099	39,899
Administrative	8,218	814	34		9,066			9,066	8,741
Fundraising	6,019	97			6,116			6,116	5,456
Total expenses	55,842	4,351	254	(166)	60,281			60,281	54,096
SUPPORT AND REVENUE (LESS THAN) IN EXCESS OF EXPENSES	(539)	(2,474)	2,793		(220)	1,241	1,015	2,036	(844)
MINORITY INTEREST IN JOINT VENTURE	(1)				(1)			(1)	(11)
CAPITAL CAMPAIGN REVENUE		181	573		754	4,042		4,796	8,962
CAPITAL CAMPAIGN REVENUE RELEASED FROM RESTRICTION		14,140			14,140	(14,140)			
CAPITAL CAMPAIGN EXPENSE		(949)			(949)			(949)	(583)
GAIN ON SALE OF ASSETS (Note 11)									5,666
CONTRIBUTION TO APMG ENDOWMENT (Note 1)									(6,447)
INTERFUND TRANSFERS		3,073	(3,073)						
CHANGE IN NET ASSETS	(540)	13,971	293		13,724	(8,857)	1,015	5,882	6,743
NET ASSETS AT BEGINNING OF THE YEAR	590	25,390	13,451		39,431	21,609	20,380	81,420	74,677
NET ASSETS AT END OF YEAR	$ 50	$39,361	$13,744	$-	$53,155	$12,752	$21,395	$87,302	$81,420

See notes to consolidated financial statements.

MINNESOTA PUBLIC RADIO AND SUBSIDIARIES
(An Affiliated Organization of American Public Media Group)

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2005
(With comparative totals for the year ended June 30, 2004) (In thousands)

	Year Ended June 30, 2005			Consolidated Total Year Ended June 30	
	Operations	Administrative	Fundraising	2005	2004
Personnel (less fringe benefits)	$ 19,575	$ 3,259	$ 2,460	$ 25,294	$ 22,001
Fringe benefits	4,089	577	503	5,169	4,457
Programming	10,913			10,913	11,532
Space costs	1,075	314	14	1,403	1,155
Utilities	1,153	56	29	1,238	1,325
Repairs and maintenance	1,153		2	1,155	1,431
Insurance	35	334	8	377	330
Facilities	70	10		80	155
Membership development			873	873	1,033
Promotion and development	2,467	76	1,512	4,055	2,575
Travel and training	512	140	87	739	585
Other general expenses	771	997	374	2,142	1,826
Depreciation	2,142	814	14	2,970	2,821
Licensing	735			735	267
Financial	409	2,489	240	3,138	2,603
Total expenses	$ 45,099	$ 9,066	$ 6,116	$ 60,281	$ 54,096

See notes to consolidated financial statements.

MINNESOTA PUBLIC RADIO AND SUBSIDIARIES
(An Affiliated Organization of American Public Media Group)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2005
(With comparative totals as of June 30, 2004) (In thousands)

	June 30, 2005								
	Unrestricted								
	Operating Fund	Property Fund	Designated Fund	Interfund Elimi- nations	Total	Tempo- rarily Restricted	Perma- nently Restricted	Consol- idated Total	June 30, 2004 Total
ASSETS									
CURRENT ASSETS:									
Cash and cash equivalents due from parent	$ 94	$ -	$ -	$ -	$ 94	$ 2,775	$ -	$ 2,869	$ 3,041
Accounts receivable—trade, net	5,676				5,676	3,714		9,390	10,330
Pledges—capital campaign		2,866			2,866	247		3,113	4,866
Grants receivable	3,191				3,191	3,553		6,744	3,286
Prepaid expenses	654				654			654	496
Inventory	116				116			116	
Due from other funds		3,725		(3,725)					
Total current assets	9,731	6,591		(3,725)	12,597	10,289		22,886	22,019
PROPERTY AND EQUIPMENT— Net (Note 3)		42,391	124		42,515			42,515	27,007
OTHER ASSETS:									
Investments (Note 2)	197	6,856	9,942		16,995	1,452		18,447	12,814
Endowment Funds held by others (Note 10)							21,395	21,395	20,380
Accounts receivable—trade, net of present value discount of $8 and $41, respectively						107		107	771
Pledges—capital campaign, net of present value of discount of $296 and $287, respectively	31	3,053			3,084	112		3,196	3,651
Grant receivable, net of present value discount of $35 and $9, respectively	95				95	185		280	241
Note issuance costs—net		230			230			230	120
Broadcast licenses and other intangibles—net (Note 4)		17,777	4,379		22,156			22,156	12,063
Other	2,221	130			2,351	607		2,958	2,338
Total other assets	2,544	28,046	14,321		44,911	2,463	21,395	68,769	52,378
TOTAL ASSETS	$ 12,275	$ 77,028	$ 14,445	$ (3,725)	$ 100,023	$ 12,752	$ 21,395	$134,170	$ 101,404
LIABILITIES AND NET ASSETS									
CURRENT LIABILITIES:									
Accounts payable	$ 3,728	$ -	$ 5	$ -	$ 3,733	$ -	$ -	$ 3,733	$ 2,514
Current portion of long term debt (Note 5)	197	984			1,181			1,181	634
Accrued liabilities	3,864	50			3,914			3,914	2,173
Deferred Revenue	64	373			437			437	57
Refundable advance (Note 7)		3,200			3,200			3,200	1,900
Due to other funds	3,029		696	(3,725)					
Total current liabilities	10,882	4,607	701	(3,725)	12,465			12,465	7,278
OTHER LIABILITIES— Long-term debt—less current portion (Note 5)	1,343	33,060			34,403			34,403	12,706
Total liabilities	12,225	37,667	701	(3,725)	46,868			46,868	19,984
COMMITMENTS AND CONTINGENCIES (Note 7)									
NET ASSETS	50	39,361	13,744		53,155	12,752	21,395	87,302	81,420
TOTAL LIABILITIES AND NET ASSETS	$ 12,275	$ 77,028	$ 14,445	$ (3,725)	$ 100,023	$ 12,752	$ 21,395	$134,170	$ 101,404

See notes to consolidated financial statements.

MINNESOTA PUBLIC RADIO AND SUBSIDIARIES
(An Affiliated Organization of American Public Media Group)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004
(In thousands)

	2005	2004
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Change in net assets	$ 5,882	$ 6,743
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,466	3,168
Gain on sale of assets		(5,668)
Increase in endowment funds held by others	(1,015)	(2,304)
Restricted contributions and grants	11,589	(6,884)
Loan forgiveness—City of Saint Paul	(419)	(157)
Decrease (increase) in assets:		
Accounts receivable	1,604	3,758
Grants receivable	(3,497)	(1,968)
Prepaid expenses	(158)	79
Investments maintained at APMG	(5,633)	(523)
Other	802	(1,642)
Increase (decrease) in liabilities:		
Accounts payable—trade and accrued liabilities	3,340	1,703
Accounts payable—affiliates		(21)
Refundable advance	1,300	350
Total adjustments	11,379	(10,109)
Net cash provided by (used in) operating activities	17,261	(3,366)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(18,477)	(4,688)
Business acquisitions	(10,583)	
Net cash received from (provided to) parent	172	(1,669)
Proceeds from sale of assets		6,625
Net cash (used in) provided by investing activities	(28,888)	268
CASH FLOWS FROM FINANCING ACTIVITIES:		
Note issuance costs	(117)	
Borrowings on long-term debt	10,125	425
Borrowings on short-term debt	11,000	
Restricted contributions and grants	(9,381)	2,763
Principal payments on long-term debt		(90)
Net cash provided by financing activities	11,627	3,098
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		
CASH AND CASH EQUIVALENTS—Beginning of year		
CASH AND CASH EQUIVALENTS—End of year	$ 0	$ 0
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION—		
Cash paid during the year for interest	$ 643	$ 170

See notes to consolidated financial statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Description of Business—Minnesota Public Radio (the "Organization" or "MPR") is a not-for-profit corporation whose mission is to enrich the mind and nourish the spirit through radio, related technology, and services.

As of July 1, 2004, MPR began to operate 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 operate the Fitzgerald Theater in Saint Paul, Minnesota. MPR has the ability to elect the FTC Board of Trustees.

MPR is the parent organization of and owns all the stock of 1400 Inc., a for-profit affiliate, which owns commercial radio stations KLBB (AM) and KLBP (AM).

American Public Media Group ("APMG") is the not-for-profit parent support organization of MPR and of Southern California Public Radio ("SCPR"). 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 Board of Trustees. APMG also owns all of the stock of Greenspring Company ("Greenspring"), a for-profit holding company. Greenspring has two wholly owned for-profit subsidiaries, which engage principally in commercial radio activities ("The KLBB Company" or "KLBB," formerly known as "The MNN Radio Networks" or "MNN") and publishing activities ("Greenspring Media Group" or "GMG" formerly known as "Minnesota Monthly Publications" or "MMP").

The Organization and its not-for-profit subsidiary each maintain the following unrestricted funds:

Operating Fund—To account for general-purpose contributions, grants, and other revenues, and to account for expenses associated with the operations of the Organization and subsidiaries, respectively.

Property Fund—To acquire and account for all land, buildings, building improvements, equipment, and certain broadcast licenses and other intangibles owned by the Organization and its subsidiaries.

Designated Fund—To account for funds intended to assure the long-term financial health of the Organization and its not-for-profit subsidiaries. The MPR Designated Fund also receives grants and bequests related to MPR's Planned Giving efforts, disburses funds related to such grants and bequests, and receives grants from sources designated from time to time by the MPR Board of Trustees. Cash balances in the Designated Fund—Unrestricted are available to the Operating Fund to provide for cash flow needs.

Basis of Financial Statement Presentation—These consolidated financial statements include the accounts of the Organization, FTC, and 1400 Inc. All significant intercompany accounts and transactions have been eliminated upon consolidation.

The Organization and its subsidiaries are charged and reimbursed for certain estimated costs incurred and benefits accrued by APMG. In addition, the Organization receives royalties from a Greenspring subsidiary, KLBB, based on sales of certain advertising and receives a payment from a Greenspring subsidiary, GMG, based upon net proceeds for a trade show that GMG operates on MPR's behalf. The above charges, reimbursements, and receipts may not necessarily be indicative of the actual costs that would have been incurred, nor of the actual benefits that would have been accrued, had the Organization and its subsidiaries operated independently.

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

Unrestricted—Unrestricted funds are those funds over which the MPR Board of Trustees has discretionary control. Designated amounts represent those revenues that the MPR Board of Trustees has set aside for a particular purpose. All property, equipment, and related debt are considered unrestricted.

Temporarily Restricted—Temporarily restricted funds are those funds subject to donor-imposed restrictions that will be satisfied by actions of the Organization or its respective subsidiary or passage of time. The Organization has elected to present temporarily restricted contributions whose restrictions were fulfilled in the same time period within unrestricted net assets.

Temporarily restricted net assets at June 30, 2005 and 2004, were restricted for:

	2005	2004
Program support and underwriting	$ 10,217,000	$ 7,486,000
Capital	2,535,000	14,123,000
	$ 12,752,000	$ 21,609,000

Temporarily restricted funds released from donor-imposed restrictions for the year ended June 30, 2005 are comprised of the following:

Membership	$ 2,000
Regional underwriting	4,515,000
National underwriting	6,039,000
Business general support	94,000
Foundations	1,520,000
Corporation for Public Broadcasting	5,947,000
Other grants from governmental agencies	43,000
Capital campaign	14,140,000
	$ 32,300,000

Permanently Restricted—Permanently restricted funds are those funds subject to donor-imposed restrictions which require that the funds be maintained by the Organization or its respective subsidiary in

perpetuity. In the absence of donor specifications that income and gains on donated funds be restricted, such income and gains are reported as income of unrestricted net assets. Permanently restricted net assets at June 30, 2005 and 2004, represent endowment funds held by external parties (Note 10).

Revenue Recognition:

Support from Public and Governmental Agencies—Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Such gifts are reported as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When the donor restriction expires (that is, when a stipulated time restriction ends or a stipulated purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statement of activities as net assets released from restriction. Temporarily restricted support whose restrictions are fulfilled in the same time period are presented within unrestricted net assets.

Broadcasting Activities—The Organization recognizes revenue from two primary broadcasting activities, carriage fees, and ticket sales. Carriage fees are earned when content is provided to other public radio stations. Ticket revenue is generated via live events. Revenue is recognized as earned when the content is made available for use.

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

Barter Transactions—The Organization and its subsidiaries record revenue and expense for barter transactions based on the estimated fair value of goods and services exchanged.

Cash and Cash Equivalents Due from Parent—Cash and cash equivalents due from parent represent cash on hand and cash invested in short-term instruments, with original maturities of three months or less, which are held by APMG within a pooled cash account on behalf of MPR. The funds held by APMG represent actual funds on hand at APMG and are available to MPR at any time. Restricted cash and cash equivalents are still subject to donor-imposed restrictions.

Accounts Receivable, Grants Receivable, and Pledges Receivable—Capital Campaign—Unconditional promises to make charitable contributions, the cash from which is expected to be received over more than one year, are recorded by MPR at their present value using a discount rate of 3.625% at June 30, 2005.

Trade accounts receivable are presented net of allowances for doubtful accounts of $955,000 and $669,000 at June 30, 2005 and 2004, respectively, to provide for estimated bad debts.

Accounts receivable, grants receivable, and capital campaign pledges were due as follows at June 30, 2005:

	Temporarily Restricted	Unrestricted	Total
In less than one year	$7,514,000	$11,733,000	$19,247,000
In one to five years	404,000	2,927,000	3,331,000
In greater than five years		252,000	252,000
	$7,918,000	$14,912,000	$22,830,000

Accounts receivable, grants receivable, and pledges—capital campaign are recorded on the consolidated statement of financial position for the year ended June 30, 2005, as follows:

Accounts receivable-trade—current	$ 9,390,000
Pledges—capital campaign—current	3,113,000
Grants receivable—current	6,744,000
Accounts receivable-trade—noncurrent	107,000
Pledges—capital campaign—noncurrent	3,196,000
Grants receivable—noncurrent	280,000
Total	$22,830,000

Depreciation and Amortization—The cost of equipment is depreciated over the estimated useful lives (three to twenty years) of the related assets using the straight-line method. The original cost and capital improvements of the buildings are depreciated using the straight-line method over an estimated useful life of 31.5 to 40 years. Leasehold improvements are amortized over the shorter of the term of the related lease or the estimated useful life of the asset. Costs incurred in connection with the issuance of the Variable Rate Demand Revenue Bonds - Series 2005, and Series 2002 are amortized over the term of the respective bonds using a method that approximates the effective interest method. Costs incurred to acquire broadcast licenses are amortized over a period of 40 years using the straight-line method for such assets held by not-for-profit subsidiaries of the Organization. Broadcast licenses held by 1400 Inc., a for profit entity, are considered indefinite-lived intangibles and are tested annually for impairment in accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets*. To date, management has determined no impairment exists. Other intangibles are amortized over 15 years using the straight-line method.

Inventory—Inventories are state at the lower of cost or market.

Income Tax Status—Both MPR and FTC are organized under Chapter 317 of Minnesota Statutes as not-for-profit organizations. The Internal Revenue Service 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 Internal Revenue Service has also 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. 1400 Inc. is organized under Chapter 302A of Minnesota Statutes and is a taxable entity.

MPR and FTC are engaged in certain activities that result in unrelated business income. For the years ended June 30, 2005 and 2004, MPR and FTC incurred tax expenses of $16,000 and $65,000, respectively. 1400 Inc. had minimal tax expense for the years ended June 30, 2005 and 2004.

Fair Value of Financial Instruments—The carrying values of cash and cash equivalents, pledges and grants receivable, and notes payable are reasonable estimates of their fair value due to discounting or the short-term nature and terms of these financial instruments. Investments are carried at fair value based on quoted market prices. The fair value of long-term debt approximates its carrying value based on current rates for debt with similar remaining maturities offered to similar not-for-profit organizations.

The Organization invests in various securities, including U.S. government securities, corporate debt instruments, and corporate stocks. 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 statements of net assets.

Derivative Instruments and Hedging Activities—Management has reviewed the requirements of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and has determined that the Organization has no freestanding or embedded derivatives. All contracts that contain provisions meeting the definition of a derivative also meet the requirements of, and have been designated as, normal purchases and sales. The Organization's policy is not to use freestanding derivatives and not to enter into contracts with terms that cannot be designated as normal purchases or sales.

Basis of Accounting—The financial statements of the Organization are prepared on the accrual basis of accounting.

Impairment of Long-Lived Assets—Management periodically reviews the carrying value of long-lived assets based upon undiscounted future cash flows expected to result from the use of those assets. Should the sum of the expected future cash flows be less than the carrying value, an impairment loss would be recognized. To date, management has determined no impairment exists.

Use of Estimates—Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates that were used.

Reclassifications—Certain prior year amounts have been reclassified to conform to the current year's presentation. These reclassifications had no effect on net assets previously reported.

Summarized Financial Information for the Year Ended June 30, 2004—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, 2004, from which the summarized information was derived.

2. INVESTMENTS

Investments, recorded at market value, consisted of the following at June 30, 2005 and 2004:

	2005	2004
MPR Board Designated Fund	$ 9,942,000	$ 6,650,000
MPR Capital Campaigns	6,814,000	4,775,000
MPR Major Item Replacement Reserves	1,494,000	1,291,000
MPR Operating Fund	197,000	98,000
	$ 18,447,000	$ 12,814,000

Investments consist primarily of corporate debt securities, U.S. government securities, cash equivalents, money market-accounts, and corporate equity securities, which are held at APMG in a pooled investment account on behalf of MPR to support long term operations. The funds held by APMG represent actual funds on hand at APMG and are available to MPR at anytime. Investment return is allocated to MPR on a monthly basis based upon the average investment balances. Investment return for the years ended June 30, 2005 and 2004, was $356,000 and $102,000, respectively, and is included in investment return—net on the consolidated statement of activities.

MPR's Board Designated Fund was established by the MPR Board of Trustees to receive and hold such income as may be designated by the Board of Trustees to provide for the long-term financial health of the Organization and is accounted for in the Designated Fund. The interest on MPR's Board Designated Fund is available for use in operations. The principal of this fund is available for the purpose for which this fund was established, 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 restricted funds are classified accordingly.

The proceeds from the Variable Rate Demand Revenue Bonds - Series 2005 are held in a Construction Fund within the Property Fund (see Note 5) and are available to MPR upon submitting qualified expenses related to the construction of its facilities in Saint Paul.

Funds from the MPR Capital Campaigns are intended for the general purposes of the Organization, including the construction of the Organization's new building and other broadcasting infrastructure. Unrestricted funds are accounted for in the Property Fund, and restricted funds are classified accordingly.

MPR's Major Item Replacement Reserves, which are accounted for in the Property Fund, were established by the MPR Board of Trustees for the purpose of replacing existing equipment or facilities. These funds may be spent only upon approval of the MPR Board of Trustees.

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2005 and 2004:

	2005	2004
Cost:		
Land	$ 8,760,000	$ 8,760,000
Building and leasehold improvements	15,564,000	15,409,000
Equipment	30,734,000	29,742,000
Construction-in-progress	19,415,000	3,283,000
	74,473,000	57,194,000
Less accumulated depreciation and amortization	31,958,000	30,187,000
	$42,515,000	$27,007,000

Total depreciation expense and amortization of leasehold improvements charged to operations in the Property Fund was $2,970,000 and $2,821,000 for the years ended June 30, 2005 and 2004, respectively.

4. BROADCAST LICENSES AND OTHER INTANGIBLES

Broadcast licenses and other intangibles consisted of the following at June 30, 2005 and 2004:

	2005	2004
Broadcast licenses	$25,847,000	$14,732,000
Other intangibles	1,047,000	1,156,000
	26,894,000	15,888,000
Less accumulated amortization	4,738,000	3,825,000
	$22,156,000	$12,063,000

See Note 12, which discusses the increase in broadcast licenses.

Total amortization expense charged to operations was $489,000 and $340,000 for the years ended June 30, 2005 and 2004, respectively, and is recorded in licensing on the consolidated statement of functional expenses.

The estimated future amortization expense for intangible assets during the next five years is:

Year Ending June 30	
2006	$599,000
2007	599,000
2008	599,000
2009	599,000
2010	599,000

Broadcast license costs at 1400 Inc. are classified as indefinite-lived intangible assets and are not amortized in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*, as 1400 Inc. is a for-profit affiliate. The broadcast license at 1400 Inc. had a net book value of $4,379,000 at June 30, 2005 and 2004. There was no impairment of the 1400 Inc. broadcast license costs assessed for fiscal year 2005.

5. LONG-TERM DEBT

Long-term debt consisted of the following at June 30, 2005 and 2004:

	2005	2004
Variable Rate Demand Revenue Bonds—Series 2005	$ 10,000,000	$ -
Variable Rate Demand Revenue Bonds—Series 2002	9,655,000	9,655,000
Housing and Redevelopment Authority of the City of Saint Paul Promissory Note	3,078,000	3,123,000
City of Saint Paul note payable		250,000
Saint Paul Foundation note payable	218,000	218,000
WCAL/KMSE debt	11,000,000	
Other obligations	1,633,000	94,000
	35,584,000	13,340,000
Less amounts due within one year	1,181,000	634,000
	$ 34,403,000	$ 12,706,000

On November 19, 2004, MPR purchased two non-commercial educational radio broadcast stations, WCAL (FM), Northfield, Minnesota and KMSE (FM), Rochester, Minnesota, from St. Olaf College for $10,500,000. This transaction was financed by a $11,000,000 variable interest rate, short-term loan from Allied Irish Bank, New York. Variable interest on the short-term loan was 3.80% at June 30, 2005. On October 18, 2005, the Port Authority of the City of St. Paul, Minnesota issued Variable Rate Demand Revenue Bonds (“Minnesota Public Radio Project Bonds”) – Series 2005-7 for $11,500,000 scheduled to mature on May 1, 2025. The bond proceeds were used to pay off the short term loan from Allied Irish Bank.

The Housing and Redevelopment Authority of the City of Saint Paul, Minnesota issued Variable Rate Demand Revenue Bonds (“Minnesota Public Radio Project Bonds”) - Series 2005 to finance the construction, remodeling and equipping of capital facilities at 480 Cedar Street. The Minnesota Public Radio Project Bonds were issued on June 16, 2005, and will mature on May 1, 2025. The proceeds from the bonds were transferred to the trustee (Wells Fargo Bank), who is required by the indenture to deposit the same in the Construction Fund within the Property Fund. Interest on the bonds is payable monthly and no principal payments are required until the maturity date. MPR has the option to call for the redemption and prepayment of the outstanding bonds in full or in part as per the redemption schedule. Interest on the bonds is payable monthly at a variable rate that was 2.30% on June 30, 2005. Repayment of the Minnesota Public Radio Project Bonds is further secured by an irrevocable letter of credit issued by Allied Irish Bank, New York. The letter of credit on the date of issue was for $10,123,288. The letter of credit expires on June 16, 2010.

In 2002, the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota issued a first series of Variable Rate Demand Revenue Bonds (“Minnesota Public Radio Project”) - Series 2002 to

finance the purchase of land and the building located at 480 Cedar Street ("480 Cedar") from the Public Housing Agency of Saint Paul. Concurrent with the purchase of 480 Cedar, MPR acquired the vacant triangle of land adjacent and to the west of MPR's downtown Saint Paul facility from the City of Saint Paul. MPR's intention is to join 480 Cedar and the triangle of land with its current building to create a complex to house the entire MPR headquarters staff. 480 Cedar was purchased on March 13, 2002, for $7,900,000. This transaction was financed by a $6,325,000 short-term loan from Allied Irish Bank. This short-term loan was paid off on May 23, 2002, as part of the closing on the Variable Rate Demand Revenue Bonds - Series 2002. The bonds were issued May 1, 2002, and will mature May 1, 2022. Interest on the bonds is payable monthly, and no principal payments are required until the maturity date. However, an optional annual early redemption is available upon the request of MPR. The bonds bear interest at a variable rate that at June 30, 2005 and 2004, was 2.35% and 1.13%, respectively, plus a letter of credit fee of 60 basis points and a remarketing fee of 9 basis points. The letter of credit on the date of issuance was $10,123,288. The terms of the letter of credit are such that if the bonds were tendered for purchase, the amount drawn is to be paid to the bank on the earlier of the remarketing of the bonds purchased with the draw on the letter of credit or the three hundred sixty-sixth day following the date on which the draw was paid by the bank.

These two letters of credit require the Organization to exercise its option to prepay the bonds, in part, and direct the trustee to redeem the bonds, in part, so that at no time will the aggregate outstanding principal amount of the bonds exceed amounts defined within the letter of credit agreement. The classification of the bonds on the statement of financial position and the long-term debt maturities schedule are based on this requirement. At June 30, 2005, the Organization is in compliance with all letter of credit financial covenant requirements except for the covenant to deliver to the bank within 120 days of the end of the fiscal year the annual audited financial statements. The Organization received waivers from Allied Irish Bank p.l.c., New York Branch dated October 26, 2005 and November 30, 2005, for the noncompliance of this covenant.

On June 30, 2005 and 2004, the Organization decided not to take part in the early redemption of Variable Rate Demand Revenue Bonds ("Minnesota Public Radio Project") - Series 2002, based on the early redemption schedule. The outstanding amount to be redeemed on June 30, 2005 and 2004, was $370,000 and $355,000, respectively.

In conjunction with the purchase of 480 Cedar, MPR entered into a forgivable $3,550,000 15-year promissory note with the Housing and Redevelopment Authority of the City of Saint Paul, of which $3,300,000 in cash and $250,000 in land were received at or subsequent to the closing of the purchase. The promissory note bears an interest rate of 6.5%. The vacant triangle of land represented the land portion of this transaction. Each year, up to $378,000 of accrued interest and principal on this note can be forgiven provided that MPR meets certain employment and construction commitments. The full potential amount was forgiven in 2005 and 2004.

The City of Saint Paul note was used to assist in funding the Fitzgerald Theater renovation project and was secured by a mortgage on the Fitzgerald Theater building. Repayment of the borrowings, with interest at 3%, was contingent upon the sale or conveyance of the Fitzgerald Theater. On December 17, 2004, the note was forgiven and is included within other grants from government agencies on the consolidated statement of activities.

The proceeds of the Saint Paul Foundation note were used to fund the additional operating costs of the district heating systems installed in the MPR building and Fitzgerald Theater until operating savings are realized or until the maximum disbursement amount of $218,000 was realized. When operating savings begin to be realized, interest at 6% will begin to accrue and repayments in the amount of 75% of

operating savings will be due annually, credited first to interest and then to principal. Interest has not been accrued to date, as savings have not been realized.

The aggregate amounts of long-term debt maturities based upon the stated terms of the debt at June 30, 2005, are as follows:

Year Ending June 30	
2006	$ 1,181,000
2007	1,136,000
2008	1,186,000
2009	1,237,000
2010	1,289,000
Thereafter	29,555,000
	$35,584,000

The Organization incurred $643,000 and $170,000 of interest expense during the years ended June 30, 2005 and 2004, respectively, of which $155,000 and $0, respectively, was capitalized net of interest income of $35,000 and $0, respectively.

6. LEASES

The Organization leases office, studio, and transmission facilities under noncancelable operating leases. Total rent expense for all operating leases was $1,372,000 and $1,083,000 for the years ended June 30, 2005 and 2004, respectively, and are included within space costs on the consolidated statement of functional expenses.

Minimum future payments required under noncancelable operating leases are as follows:

Year Ending June 30	
2006	$1,078,000
2007	1,110,000
2008	1,083,000
2009	586,000
2010	531,000
Thereafter	419,000
	$4,807,000

7. COMMITMENTS AND CONTINGENCIES

During the ten-year period to June 30, 2005, MPR was awarded grants of approximately $1,198,000 from the United States Department of Commerce, National Telecommunications and Information Administration, under the Public Telecommunications Facilities Program. The terms of such grants provide for a ten-year period of federal interest, during which equipment purchased with grant funds may be repossessed under certain conditions that generally relate to a change in ownership from not-for-profit to commercial or to changes in the utilization of assets acquired with grant funds.

In conjunction with the purchase of 480 Cedar, and with the resulting building project, MPR received commitments in the amount of $7,800,000 that are contingent upon certain construction and fundraising requirements. At June 30, 2005 and 2004, $3,200,000 and $1,900,000 in refundable advances had been received, respectively, and are reported as a refundable advance on the consolidated statement of financial position.

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 operations or the financial position of MPR.

8. RETIREMENT PLAN

MPR and FTC participate in APMG's 403(b) tax-deferred annuity plan, which provides that qualified employees may contribute to the plan through payroll deductions that are matched 100% by the respective employer up to 7.5% of their base compensation. Participation is voluntary after two years and is required after five years of employment or age 35, whichever is later. The Organization's contributions totaled $1,154,000 and $1,044,000 for the years ended June 30, 2005 and 2004, respectively. 1400 Inc. had no employees during these periods.

9. AFFILIATED ORGANIZATIONS

The Organization is charged by APMG for its estimated share of various accounting services, financing charges, personnel costs, and insurance costs incurred on its behalf. For the years ended June 30, 2005 and 2004, these charges totaled $2,522,000 and $2,143,000, respectively, and are included in administrative expenses.

For the years ended June 30, 2005 and 2004, MPR charged SCPR $303,000 and $359,000, respectively, for providing various operational services. These are reflected in other earned revenue for MPR.

During the years ended June 30, 2005 and 2004, MPR charged KLBB $24,000 and $17,000, respectively, for providing various operational services. These are reflected in other earned revenue for MPR.

GMG publishes a monthly magazine containing a programming guide that is purchased by MPR and provided to individual members of MPR. MPR pays a specified amount to GMG for each month an MPR member receives a magazine. Included in operations expense are $570,000 and $382,000 charged under this arrangement for the years ended June 30, 2005 and 2004, respectively.

Under an agreement with 1400 Inc. (licensee of radio stations KLBB and KLBP), a wholly owned for-profit subsidiary of MPR, The KLBB Company (formerly known as MNN) provides certain programming for broadcast on KLBB and KLBP and sells advertising on those stations in exchange for the payment to 1400 Inc. of royalties based on sales. Royalties of $26,000 and $12,000 were paid to 1400 Inc. for the years ended June 30, 2005 and 2004, respectively.

Under agreements with MPR, KLBB provided certain programming for broadcast on WMNN (a station previously owned by MPR), sold advertising on that station, and utilized certain intellectual property of MPR in the operation of its regional radio networks, all in exchange for the payment of royalties to MPR based on sales of certain advertising. Included in royalties and licensing fees revenue was $13,000 paid to MPR for the year ended June 30, 2004. This license agreement was terminated upon the sale of WMNN in fiscal year 2004.

Under an agreement with MPR, GMG operates a consumer show on MPR's behalf and pays MPR based upon the net proceeds of the show. Included in royalties and licensing fees revenue is $320,000 and $310,000 paid to MPR for the years ended June 30, 2005 and 2004, respectively.

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 a permanent endowment for the benefit of MPR. APMG maintains variance power over the endowment. In April 1999, the APMG Board of Trustees adopted the investment policy for this earned endowment for MPR. The investment policy includes a spending policy designating an annual distribution of 4.5% of the five-year average market value of the earned endowment's assets, $3,913,000 in 2005. The distribution is then available to be granted to MPR. The grant revenue recognized to MPR was $4,274,000 and $3,800,000 for the years ended June 30, 2005 and 2004, respectively.

At June 30, 2005, the market value of the earned endowment for MPR held by APMG was $92,472,000, and at August 31, 2005, the market value was $95,686,000.

APMG also makes grants to MPR from other funds outside of the earned endowment, as designated by the APMG Board of Trustees, for the long-term benefit of MPR. During fiscal years 2005 and 2004, APMG agreed to provide grants of $1,289,000 and $552,000, respectively, to MPR from these remaining funds in support of new initiatives.

10. PERMANENT EXTERNAL ENDOWMENTS

MPR has adopted SFAS No. 136, *Transfers of Assets to a Not-For-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*, which requires that if a not-for-profit organization transfers assets to a recipient organization and is the specified beneficiary, or if a not-for-profit organization has an unconditional right to receive all or a portion of the specified cash flows from a charitable trust or other identifiable pool of assets, then the not-for-profit organization should recognize its rights to the assets held by the recipient organization, the charitable trust, or the identifiable pool of assets.

The effect of the adoption of SFAS No. 136 is to recognize MPR's beneficial interest in The Minnesota Public Radio Endowment Funds held by Minnesota Foundation and MPR's beneficial interest in the Oakleaf Endowment Trust for Minnesota Public Radio held by Oakleaf Foundation.

MPR is party to an agreement with Minnesota Foundation, which established an irrevocable endowment fund named The Minnesota Public Radio Endowment Funds (the "Fund"). The agreement with Minnesota Foundation requires a minimum annual distribution to MPR of 6% of the sixteen-quarter moving average market value of the Fund's assets. Gifts to the Fund are irrevocable; however, the Fund could revert to MPR in the event Minnesota Foundation liquidates. The Fund is managed at the discretion of Minnesota Foundation, except that MPR may direct Minnesota Foundation to replace any investment manager if the Fund does not produce a reasonable return. The fair market value of The Minnesota Public Radio Endowment Funds was $18,776,000 and $17,926,000 at June 30, 2005 and 2004, respectively. On August 31, 2005, the fair market value of The Minnesota Public Radio Endowment Funds was $19,428,000.

The Oakleaf Endowment Trust for Minnesota Public Radio (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 assure 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% 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 fair market value of the Trust was $2,619,000 and $2,454,000 at June 30, 2005 and 2004, respectively. On August 31, 2005, the fair market value of the Trust was approximately $2,703,000.

Investments are recorded at market value as supplied by the respective trustees of the endowments and consist primarily of pooled investment funds and income and equity securities.

The aggregate amount recognized in the consolidated statement of financial position for MPR's beneficial interest in The Minnesota Public Radio Endowment Funds and the Oakleaf Endowment Trust for Minnesota Public Radio as of June 30, 2005 and 2004, was $21,395,000 and $20,380,000, respectively. Investment return, net includes interest income and dividends of $429,000 and $373,000 for the years ended June 30, 2005 and 2004, respectively; net gain of $1,523,000 and $2,577,000, respectively; and transfers to the Minnesota Foundation of $174,000 and $501,000, respectively, net of the annual distributions from the respective endowments of $1,111,000 and $1,147,000, respectively, which are recorded as unrestricted grants from endowments within the consolidated statement of activities.

11. GAIN ON SALE OF ASSETS

On January 16, 2004, MPR sold commercial radio station WMNN (1330 AM), Minneapolis, Minnesota to Advance Acquisition Inc. for $6,750,000 subject to Federal Communications Commission ("FCC") approval. The FCC approved the sale, which subsequently closed on May 14, 2004. The MNN Radio Networks had operated WMNN under a local management agreement with MPR. The MNN Radio Networks paid royalties to MPR of $13,000 in fiscal year 2004 under this local management agreement. This local management agreement was terminated effective May 14, 2004. The net proceeds of the sale of $6,447,000 were transferred to APMG for investment in the APMG earned endowment for the benefit of MPR.

On March 1, 2004, the MNN Radio Networks sold most of its assets to Saga Radio Networks LLC for $3,250,000 less legal and professional fees of $164,000. The MNN name and various items of intellectual property (the "Intellectual Property") were owned and licensed by MPR. Before the sale, the Intellectual Property was transferred to the MNN Radio Networks, and MPR received $100,000 for the transfer.

12. ACQUISITION

On November 19, 2004, MPR purchased two non-commercial educational radio broadcast stations, WCAL (FM), Northfield, Minnesota and KMSE (FM), Rochester, Minnesota, from St. Olaf College for approximately $10,500,000. The acquisition was accounted for using the purchase method of accounting. The broadcast license is being amortized on a straight-line basis, with a useful life of 40 years. Based on an independent appraisal, the purchase price of $10,500,000 was allocated to acquired assets and liabilities assumed based on their fair values as follows:

Broadcast License	$ 10,583,000
Equipment	710,000
On Air Credits	(793,000)
Net purchase price	$ 10,500,000

The pro forma effect of this acquisition on 2005 and 2004 support and earned revenues and support and revenue (less than) in excess of expenses was not considered significant for disclosure.

13. SUBSEQUENT EVENT

On May 27, 2005, MPR agreed to sell its stock in 1400 Inc. which owns two commercial radio stations, KLBB AM 1400 and KLBP AM 1470, to Davidson Media Group for $5.2 million. The FCC approved the sale on September 5, 2005, and the sale closed on September 7, 2005. The assets and operations involved in the sale were recorded as continuing operations in fiscal year 2005 given the sale was subject to FCC approval and will be presented as discontinued operations in fiscal year 2006. The Company is currently determining the final impact of the sale and is expected to record a gain on the transaction in fiscal year 2006.

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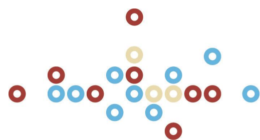

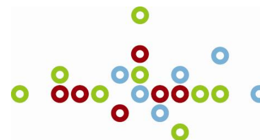

480 Cedar St
St. Paul, MN 55101
www.mpr.org