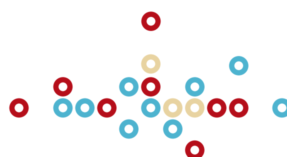
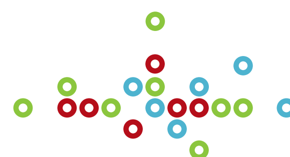
REPORT ON AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2006 and 2005





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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Minnesota Public Radio|American Public Media
Saint Paul, Minnesota

We have audited the accompanying consolidated statement of financial position of Minnesota Public Radio|American Public Media and subsidiaries (formerly known as Minnesota Public Radio and Subsidiaries) (the "Organization"), an affiliated organization of American Public Media Group, as of June 30, 2006, 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, 2005, consolidated financial statements and, in our report dated November 30, 2005, 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, 2006, 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 fund, property fund, designated fund, and interfund eliminations information presented in the consolidated statement of activities and consolidated statement of financial position for 2006 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 2006 consolidated financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic 2006 consolidated financial statements taken as a whole.

Deloitte & Touche LLP

October 26, 2006

MINNESOTA PUBLIC RADIO|AMERICAN PUBLIC MEDIA AND SUBSIDIARIES

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

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2005)
(In thousands)

	Year Ended June 30, 2006							Year Ended June 30	
	Unrestricted							Total	
	Operating Fund	Property Fund	Designated Fund	Interfund Elimi-nations	Total	Temporarily Restricted	Permanently Restricted	2006	2005
SUPPORT FROM PUBLIC:									
Individual gifts and membership	$11,669	$ 5	$ -	$ -	$11,674	$ 162	$ -	$ 11,836	$11,452
Individual gifts and membership released from restriction	59	6			65	(65)			
Regional underwriting	1,007				1,007	7,036		8,043	7,430
Regional underwriting released from restriction	6,871	25			6,896	(6,896)			
National underwriting	904				904	9,750		10,654	8,237
National underwriting released from restriction	9,428				9,428	(9,428)			
Business general support	718				718	173		891	737
Business general support released from restrictions	38	22			60	(60)			
Foundations	25				25	6,363		6,388	2,076
Foundations released from restriction	2,931	47			2,978	(2,978)			
Grants from endowments (Notes 9 and 10)	4,318	4	339		4,661			4,661	5,385
Other intercompany grants (Note 9)	75	53		(45)	83			83	1,289
Educational sponsors	398	374			772			772	811
Other public support	40				40			40	10
Total support from public	38,481	536	339	(45)	39,311	4,057	-	43,368	37,427
SUPPORT FROM GOVERNMENTAL AGENCIES:									
Corporation for Public Broadcasting ("CPB")	3,150				3,150	2,245		5,395	5,511
CPB grants released from restriction	2,827	537			3,364	(3,364)			
Grants from other government agencies	419	207			626	19		645	1,335
Grants from other government agencies released from restriction	15	628			643	(643)			
Total support from governmental agencies	6,411	1,372	-	-	7,783	(1,743)	-	6,040	6,846
EARNED REVENUE:									
Revenue from broadcasting activities	14,097			(215)	13,882			13,882	11,525
Royalties and licensing fees	1,389				1,389			1,389	3,685
Investment return—net (Notes 2 and 10)	61	594	446		1,101		1,256	2,357	1,371
Other earned revenue	1,776	138		(24)	1,890	1		1,891	1,437
Other released from restriction	36	7			43	(43)			
Total earned revenue	17,359	739	446	(239)	18,305	(42)	1,256	19,519	18,018
Total support and earned revenue	62,251	2,647	785	(284)	65,399	2,272	1,256	68,927	62,291

(Continued)

MINNESOTA PUBLIC RADIO|AMERICAN PUBLIC MEDIA AND SUBSIDIARIES

(Formerly Known as Minnesota Public Radio and Subsidiaries)
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CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2005)
(In thousands)

	Year Ended June 30, 2006							Year Ended June 30	
	Unrestricted							Total	
	Operating Fund	Property Fund	Designated Fund	Interfund Elimi-nations	Total	Temporarily Restricted	Permanently Restricted	2006	2005
EXPENSES:									
Operations	$45,743	$ 4,194	$ 21	$(284)	$49,674	$ -	$ -	$ 49,674	$44,924
Administrative	9,160	1,133			10,293			10,293	9,066
Fundraising	6,804	63			6,867			6,867	6,116
Total expenses	61,707	5,390	21	(284)	66,834	-	-	66,834	60,106
SUPPORT AND REVENUE IN EXCESS OF (LESS THAN) EXPENSES	544	(2,743)	764		(1,435)	2,272	1,256	2,093	2,185
MINORITY INTEREST IN JOINT VENTURE	(29)				(29)			(29)	(1)
CAPITAL CAMPAIGN REVENUE		31			31	17,696		17,727	4,796
CAPITAL CAMPAIGN REVENUE RELEASED FROM RESTRICTION	46	18,863			18,909	(18,909)			
CAPITAL CAMPAIGN AND RELATED EXPENSES		(1,713)			(1,713)			(1,713)	(949)
LOSS FROM OPERATIONS OF DISCONTINUED BUSINESS (Note 11)			(50)		(50)			(50)	(149)
GAIN FROM SALE OF DISCONTINUED OPERATIONS (Note 11)			590		590			590	
INTERFUND TRANSFERS	(452)	(1,456)	1,908						
CHANGE IN NET ASSETS	109	12,982	3,212	-	16,303	1,059	1,256	18,618	5,882
NET ASSETS—Beginning of year	50	39,361	13,744		53,155	12,752	21,395	87,302	81,420
NET ASSETS—End of year	$ 159	$52,343	$16,956	$ -	$69,458	$13,811	$22,651	$105,920	$87,302

See notes to consolidated financial statements.

(Concluded)

MINNESOTA PUBLIC RADIO|AMERICAN PUBLIC MEDIA AND SUBSIDIARIES

(Formerly Known as Minnesota Public Radio and Subsidiaries)

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CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2006
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2005)
(In thousands)

	Year Ended June 30, 2006			Consolidated Total Year Ended June 30	
	Operations	Administrative	Fundraising	2006	2005
Personnel (less fringe benefits)	$ 21,260	$ 3,081	$ 2,760	$ 27,101	$ 25,294
Fringe benefits	4,712	561	611	5,884	5,169
Programming	11,055			11,055	10,910
Space costs	1,191	305	4	1,500	1,378
Utilities	1,372	62	34	1,468	1,224
Repairs and maintenance	1,165			1,165	1,133
Insurance	26	373	1	400	369
Facilities	106	13	29	148	16
Membership development			1,116	1,116	873
Promotion and development	3,421	26	1,516	4,963	4,055
Travel and training	794	168	80	1,042	739
Other general expenses	750	1,153	454	2,357	2,134
Depreciation	2,562	987	17	3,566	2,956
Licensing and financial	1,260	3,564	245	5,069	3,856
TOTAL EXPENSES	$ 49,674	$ 10,293	$ 6,867	$ 66,834	$ 60,106

See notes to consolidated financial statements.

MINNESOTA PUBLIC RADIO|AMERICAN PUBLIC MEDIA AND SUBSIDIARIES

(Formerly Known as Minnesota Public Radio and Subsidiaries)
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2006
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2005)
(In thousands)

	June 30, 2006								
	Unrestricted								
	Operating Fund	Property Fund	Designated Fund	Interfund Elimi- nations	Total	Tempo- rarily Restricted	Perma- nently Restricted	Consoli- dated Total	June 30, 2005 Total
ASSETS									
CURRENT ASSETS:									
Cash and cash equivalents due from parent	$ 97	$ -	$ -	$ -	$ 97	$ 2,897	$ -	$ 2,994	$ 2,869
Accounts receivable—trade—net	6,114				6,114	6,075		12,189	9,390
Pledges receivable—capital campaign		2,125			2,125	351		2,476	3,113
Grants receivable	2,232				2,232	1,838		4,070	6,744
Prepaid expenses	759				759			759	654
Inventory	137				137			137	116
Due (to) from other funds	(453)	878	3,715	(4,140)					
Total current assets	8,886	3,003	3,715	(4,140)	11,464	11,161	-	22,625	22,886
NET PROPERTY AND EQUIPMENT (Note 3)		55,464			55,464			55,464	42,515
OTHER ASSETS:									
Investments (Note 2)	321	7,105	13,241		20,667	127		20,794	18,447
Endowment funds held by others (Note 10)							22,651	22,651	21,395
Accounts receivable—trade, net of present value discount of $27 and $8 in 2006 and 2005, respectively						336		336	107
Pledges receivable—capital campaign, net of present value of discount of $423 and $296 in 2006 and 2005, respectively	9	3,505			3,514	64		3,578	3,196
Grant receivable, net of present value discount of $105 and $35 in 2006 and 2005, respectively						1,693		1,693	280
Debt issuance costs—net		333			333			333	230
Broadcast licenses and other intangibles—net (Note 4)		17,252			17,252			17,252	22,156
Other	1,375				1,375	430		1,805	2,958
Total other assets	1,705	28,195	13,241	-	43,141	2,650	22,651	68,442	68,769
TOTAL	$ 10,591	$ 86,662	$ 16,956	$ (4,140)	$ 110,069	$ 13,811	$ 22,651	$ 146,531	$ 134,170

(Continued)

MINNESOTA PUBLIC RADIO|AMERICAN PUBLIC MEDIA AND SUBSIDIARIES

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2006
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2005)
(In thousands)

	June 30, 2006								
	Unrestricted								
LIABILITIES AND NET ASSETS	Operating Fund	Property Fund	Designated Fund	Interfund Elimi- nations	Total	Tempo- rarily Restricted	Perma- nently Restricted	Consoli- dated Total	June 30, 2005 Total
CURRENT LIABILITIES:									
Accounts payable—trade	$ 1,922	$ -	$ -	$ -	$ 1,922	$ -	$ -	$ 1,922	$ 3,733
Current portion of long-term debt (Note 5)	204	1,132			1,336			1,336	1,181
Accrued liabilities	2,947	48			2,995			2,995	3,914
Deferred revenue	80				80			80	437
Refundable advance (Note 7)									3,200
Due to (from) other funds	4,140			(4,140)					
Total current liabilities	9,293	1,180	-	(4,140)	6,333	-	-	6,333	12,465
OTHER LIABILITIES—Long-term debt—less current portion (Note 5)	1,139	33,139			34,278			34,278	34,403
Total liabilities	10,432	34,319	-	(4,140)	40,611	-	-	40,611	46,868
COMMITMENTS AND CONTINGENCIES (Note 7)									
NET ASSETS	159	52,343	16,956		69,458	13,811	22,651	105,920	87,302
TOTAL	$ 10,591	$ 86,662	$ 16,956	$ (4,140)	$110,069	$ 13,811	$ 22,651	$146,531	$134,170

See notes to consolidated financial statements. (Concluded)

MINNESOTA PUBLIC RADIO|AMERICAN PUBLIC MEDIA AND SUBSIDIARIES

(Formerly Known as Minnesota Public Radio and Subsidiaries)

(An Affiliated Organization of American Public Media Group)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2005)
(In thousands)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 18,618	$ 5,882
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,189	3,466
Gain on sale of assets—net	(614)	
Increase in endowment funds held by others	(1,256)	(1,015)
Restricted contributions and grants	1,583	11,589
Loan forgiveness—City of Saint Paul	(180)	(419)
Decrease (increase) in assets:		
Accounts receivable	(3,029)	1,604
Grants receivable	1,260	(3,497)
Prepaid expenses	(105)	(158)
Investments maintained at APMG		(5,633)
Other	1,133	802
Increase (decrease) in liabilities:		
Accounts payable—trade and accrued liabilities	(3,541)	3,340
Refundable advance	(3,200)	1,300
Total adjustments	(3,760)	11,379
Net cash provided by operating activities	14,858	17,261
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(16,275)	(18,477)
Purchase of investments	(14,020)	
Sale of investments	11,674	
Proceeds from sale of business	5,200	
Other acquisitions	(74)	(10,583)
Net cash (provided to) received from parent	(124)	172
Net cash used in investing activities	(13,619)	(28,888)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Debt issuance costs	(121)	(117)
Borrowings on long-term debt	11,500	10,125
Borrowings on short-term debt		11,000
Payment on short-term debt	(11,000)	
Restricted contributions and grants	(1,327)	(9,381)
Principal payments on long-term debt	(291)	
Net cash (used in) provided by financing activities	(1,239)	11,627
NET INCREASE IN CASH AND CASH EQUIVALENTS	-	-
CASH AND CASH EQUIVALENTS—Beginning of year		
CASH AND CASH EQUIVALENTS—End of year	$ -	$ -
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES—Addition to net property and equipment funded through accounts payable—trade	$ 454	$ 333
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION—Cash paid during the year for interest	$ 1,160	$ 643

See notes to consolidated financial statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Description of Business—Minnesota Public Radio|American Public Media (formerly known as Minnesota Public Radio and Subsidiaries) (the "Organization" or "MPR|APM") is a not-for-profit corporation whose mission is to enrich the mind and nourish the spirit, thereby enhancing the lives and expanding the perspective of its audiences, and assisting them in strengthening their communities.

MPR|APM 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|APM 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|APM has the ability to elect the FTC Board of Trustees.

MPR|APM was the parent organization of and owned all the stock of 1400 Inc., a for-profit affiliate, which owned commercial radio stations, KLBB (AM) and KLBP (AM). During 2006, MPR|APM sold all its 1400 Inc. stock to Davidson Media Group for $5.2 million. This transaction is further described in Note 11.

American Public Media Group ("APMG") is the not-for-profit parent support organization of MPR|APM and of Southern California Public Radio ("SCPR"). APMG's primary purpose is to provide financial and management support services to MPR|APM, FTC, and SCPR. APMG has the ability to elect, or to approve the election of, a majority of the MPR|APM 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. During 2006, Greenspring had 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"). KLBB ceased its commercial radio operations after MPR|APM sold its 1400 Inc. stock as described in Note 11.

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 ensure the long-term financial health of the Organization and its not-for-profit subsidiaries. The MPR|APM Designated Fund also receives grants and bequests related to MPR|APM'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|APM Board of Trustees. Financial assets 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|APM'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|APM Board of Trustees has discretionary control. Designated amounts represent those revenues that the MPR|APM 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, 2006 and 2005, were restricted for:

	2006	**2005**
Program support and underwriting	$12,860,000	$10,217,000
Capital	951,000	2,535,000
Total	$13,811,000	$12,752,000

Temporarily restricted funds released from donor-imposed restrictions for the years ended June 30, 2006 and 2005, are comprised of the following:

	2006	2005
Individual gifts and membership	$ 65,000	$ 2,000
Regional underwriting	6,896,000	4,515,000
National underwriting	9,428,000	6,039,000
Business general support	60,000	94,000
Foundations	2,978,000	1,520,000
CPB	3,364,000	5,947,000
Grants from other governmental agencies	643,000	43,000
Other earned revenue	43,000	
Capital campaign revenue	18,909,000	14,140,000
Total	$42,386,000	$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, 2006 and 2005, represent endowment funds held by external parties (Note 10).

Summarized Financial Information for the Year Ended June 30, 2005—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 ("GAAP"). Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2005, from which the summarized information was derived.

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

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 three primary broadcasting activities: carriage fees, satellite fees, and ticket sales. Carriage and satellite fees are earned when content is provided to the broadcasters. Ticket revenue is earned when a live event occurs.

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

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.

Capital Campaign and Related Expenses—Capital campaign and related expenses include fundraising and administrative costs directly attributable to the capital campaign and debt servicing costs directly attributable to the capital project.

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|APM. The funds held by APMG represent actual funds on hand at APMG and are available to MPR|APM 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|APM at their present value using a discount rate equivalent to treasury yields of similar maturity at the time of the contribution (5.125% at June 30, 2006).

Trade accounts receivable are presented, net of allowances for doubtful accounts of $697,000 and $955,000 at June 30, 2006 and 2005, respectively, to provide for estimated bad debts.

At June 30, 2006, accounts receivable, grants receivable, and capital campaign pledges were due as follows:

	Temporarily Restricted	Unrestricted	Total
In less than one year	$ 8,264,000	$ 10,471,000	$ 18,735,000
In one to five years	1,919,000	3,507,000	5,426,000
In greater than five years	174,000	7,000	181,000
Total	$ 10,357,000	$ 13,985,000	$ 24,342,000

Accounts receivable, grants receivable, and pledges—capital campaign are recorded on the consolidated statement of financial position for the year ended June 30, 2006, as follows:

Current:	
Accounts receivable—trade	$ 12,189,000
Pledges receivable—capital campaign	2,476,000
Grants receivable	4,070,000
Noncurrent:	
Accounts receivable—trade	336,000
Pledges receivable—capital campaign	3,578,000
Grants receivable	1,693,000
Total	$ 24,342,000

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 2005-7, Series 2005, and Series 2002 are amortized over the term of the respective bonds using a method that approximates the effective interest method. Broadcast licenses held by not-for-profit subsidiaries of the Organization are amortized over a period of 40 years using the straight-line method. Broadcast licenses held by 1400 Inc., a for-profit entity, were until September 7, 2005 (see Note 11), considered indefinite-lived intangibles and were 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 that no impairment exists. Other intangibles are amortized over 15 years using the straight-line method.

Debt Issuance Cost—Debt issuance cost includes capitalized bond issue costs. Bond issue costs are recorded at historical costs and expensed over the life of the bonds.

Inventories—Inventories are stated at the lower of cost or market.

Other Assets—Other assets include barter assets. Barter assets are recorded at fair market value and expensed as used using the effective interest method.

Minority Interest in Joint Venture—MPR|APM and Public Radio International ("PRI") operate a 24 hour classical music service ("C-24") that is distributed to radio stations throughout the United States of America. Revenue and expenses are recorded on the consolidated statement of activities and PRI's 40% share is recorded as minority interest in joint venture.

Income Tax Status—Both MPR|APM and FTC are organized under Chapter 317 of Minnesota Statutes as not-for-profit organizations. The Internal Revenue Service ("IRS") has determined that MPR|APM 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|APM and FTC are both exempt from Minnesota income taxes under Section 290.05 Subdivision 9 of Minnesota Statutes. 1400 Inc. is a taxable entity and is organized under Chapter 302A of Minnesota Statutes.

MPR|APM and FTC are engaged in certain activities that result in unrelated business income. For the years ended June 30, 2006 and 2005, MPR|APM and FTC made tax payments of $306,000 and $16,000, respectively. During 2006, MPR|APM and FTC paid $179,000 for the 2006 estimated tax payments and $127,000 for the 2005 tax payments. 1400 Inc. had minimal tax expense for the years ended June 30, 2006 and 2005.

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 and corporate debt securities. 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 statement of net assets.

Derivative Instruments and Hedging Activities—Management has reviewed the requirements of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities as amended by SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities.* The Organization makes use of an interest rate swap to manage its overall interest rate exposure (see Note 2). Other than the interest rate swap, the Organization has no other free standing or embedded derivatives.

Impairment of Long-Lived Assets—Management periodically reviews the carrying value of long-lived assets for potential impairment by comparing the carrying value 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 value, an impairment loss would be recognized. To date, management has determined that no impairment exists.

Use of Estimates—Management uses estimates and assumptions in preparing financial statements in accordance with GAAP. 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.

2. INVESTMENTS

Investments at June 30, 2006 and 2005, consisted of the following:

	2006	2005
Investments at market:		
MPR|APM Board Designated Fund	$13,217,000	$ 9,918,000
MPR|APM Capital Campaigns	5,339,000	
MPR|APM Investments Limited to Use	265,000	6,814,000
MPR|APM Major Item Replacement Reserves	1,443,000	1,494,000
MPR|APM Interest Rate Swap	322,000	
MPR|APM Operating Fund	184,000	197,000
Investments at cost	24,000	24,000
Total	$20,794,000	$18,447,000

MPR|APM'S investments held and their allocation of the investments held at APMG at June 30, 2006 and 2005, were as follows:

	2006	2005
Corporate debt securities	$ 8,519,000	$ 5,316,000
U.S. government securities	3,278,000	2,877,000
Cash equivalents/money market	8,675,000	10,254,000
Interest rate swap	322,000	
Total	$20,794,000	$18,447,000

Investments at market are carried at fair value based on quoted market prices or estimated using a fair value pricing model. Investments at cost are annuity trusts that are carried at cost and are reviewed

annually for impairment. There were no impairment charges during the years ended June 30, 2006 and 2005.

Net investment return for the years ended June 30, 2006 and 2005, consisted of the following:

	2006	2005
Net investment return:		
Interest income	$ 839,000	$ 552,000
Realized losses	(54,000)	(239,000)
Unrealized (losses) gains	(6,000)	43,000
Change in value of interest rate swap	322,000	
Total	$ 1,101,000	$ 356,000

Investments are held at APMG in a pooled investment account on behalf of MPR|APM to support long-term operations. The funds held by APMG represent actual funds on hand at APMG and are available to MPR|APM at anytime. Investment return is allocated to MPR|APM on a monthly basis based upon the average investment balances. Investment return for the years ended June 30, 2006 and 2005, was $1,101,000 and $356,000, respectively, and is included in investment return—net on the consolidated statement of activities.

MPR|APM's Board Designated Fund was established by the MPR|APM 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 principal of this fund is available for the purpose for which this fund was established, upon the approval of the MPR|APM 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.

Funds from the MPR|APM 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|APM's Investments Limited to Use includes the proceeds from the Variable Rate Demand Revenue Bonds–Series 2005 and 2005-7 are held in a Construction Fund within the Property Fund (see Note 5) and are available to MPR|APM upon submitting qualified expenses related to the construction and acquisition of radio broadcast licenses, radio transmission equipment, and related real and personal property.

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

On January 13, 2006, MPR|APM entered into a 10-year Amortizing Interest Rate Swap agreement (the "agreement") with Allied Irish Bank, New York, with an aggregate notional amount of $10,000,000. Under this agreement, MPR|APM will be the fixed rate payer on the swap and Allied Irish Bank will be the floating rate payer. The fixed rate of interest is 3.5% and the fixed rate day count fraction is 30/360. The floating rate is 70% of London InterBank Offered Rate ("LIBOR"). MPR|APM pays or receives a monthly settlement based on the difference between the fixed and floating rates. During the year ended June 30, 2006, MPR|APM paid interest expense of $6,000 and received interest

income of $3,000 towards the monthly swap settlement which is shown as a part of capital campaign revenue and capital campaign and related expenses on the statement of activities.

MPR|APM reserves the right to terminate the swap agreement at any time at the then current fair value. This may result in MPR|APM making or receiving a termination payment. The agreement also exposes MPR|APM to credit risk loss in the event of nonperformance by the counterparty of the agreement. As of June 30, 2006, the outstanding fair value of the agreement was $322,000. The change in the fair value of the agreement is included in investment return—net on the consolidated statement of activities.

3. NET PROPERTY AND EQUIPMENT

Net property and equipment at June 30, 2006 and 2005, consisted of the following:

	2006	2005
Cost:		
Land	$ 8,730,000	$ 8,760,000
Building and leasehold improvements	41,626,000	15,564,000
Equipment	34,301,000	30,734,000
Construction-in-progress	4,322,000	19,415,000
Total cost	88,979,000	74,473,000
Less accumulated depreciation and amortization	33,515,000	31,958,000
Total	$55,464,000	$42,515,000

Total depreciation expense and amortization of leasehold improvements charged to operations in the Property Fund was $3,566,000 and $2,970,000 for the years ended June 30, 2006 and 2005, respectively.

Construction-In-Progress—Construction-in-progress at June 30, 2006, represents costs incurred in connection with remodeling and building projects. At June 30, 2006 and 2005, building expansion and remodeling projects with an estimated final cost of $45,700,000 are currently in progress. Total interest capitalized on construction during the years ended June 30, 2006 and 2005, was $0 as interest income on the bond construction funds exceed interest expense on the projects.

4. BROADCAST LICENSES AND OTHER INTANGIBLES

Broadcast licenses and other intangibles at June 30, 2006 and 2005, consisted of the following:

	2006	2005
Broadcast licenses	$21,044,000	$25,847,000
Other intangibles	1,121,000	1,047,000
	22,165,000	26,894,000
Less accumulated amortization	4,913,000	4,738,000
Total	$17,252,000	$22,156,000

See Note 11, which discusses the net decrease in broadcast licenses.

Total amortization expense charged to operations was $599,000 and $489,000 for the years ended June 30, 2006 and 2005, 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 as follows:

Years Ending June 30	
2007	$ 599,000
2008	599,000
2009	599,000
2010	599,000
2011	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 as 1400 Inc. is a for-profit affiliate. The broadcast license at 1400 Inc. had a net book value of $0 and $4,379,000 at June 30, 2006 and 2005, respectively. The license was sold to the Davidson Media Group on September 7, 2005, by MPR|APM as part of the sale of stock in 1400 Inc.

5. LONG-TERM DEBT

Long-term debt at June 30, 2006 and 2005, consisted of the following:

	2006	2005
Variable Rate Demand Revenue Bonds—Series 2005-7	$ 11,500,000	$ -
Variable Rate Demand Revenue Bonds—Series 2005	10,000,000	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	2,898,000	3,078,000
Saint Paul Foundation note payable	218,000	218,000
WCAL/KMSE debt		11,000,000
Other obligations	1,343,000	1,633,000
Total long-term debt	35,614,000	35,584,000
Less amounts due within one year	1,336,000	1,181,000
Long-term portion	$ 34,278,000	$ 34,403,000

The Port Authority of the City of St. Paul, Minnesota, issued Variable Rate Demand Revenue Bonds—Series 2005-7 (“Series 2005–7 Bonds”) for $11,500,000 to refinance the purchase of two noncommercial educational radio broadcast stations, WCAL (FM), Northfield, Minnesota, and KMSE (FM), Rochester, Minnesota. This transaction was initially financed by a $11,000,000 short-term loan from Allied Irish Bank. The proceeds from the bonds were used to pay off the $11,000,000 variable interest rate, short-term loan from Allied Irish Bank. The remaining 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. The bonds were issued on October 18, 2005, and will mature on May 1, 2025. Interest on the bonds is payable monthly, and no principal payments are required until the maturity date. MPR|APM 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 based on a daily remarketing process; however, the rate is not to exceed 10%. Interest is payable monthly at a variable rate that was 4.04% on June 30, 2006. Repayment of the Series 2005–7 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 $11,641,781. The letter of credit expires on October 18, 2010.

The Housing and Redevelopment Authority of the City of Saint Paul, Minnesota, issued Variable Rate Demand Revenue Bonds—Series 2005 (“Series 2005 Bonds”) to finance the construction, remodeling, and equipping of capital facilities at 480 Cedar Street. The Minnesota Public Radio|American Public Media 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|APM 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 based on a daily remarketing process; however, the rate is not to exceed 10%. Interest is payable monthly at a variable rate that was 4.04% and 2.30% for the years ended June 30, 2006 and 2005, respectively. Repayment of the Series 2005 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—Series 2002 (“Series 2002 Bonds”) 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|APM acquired the vacant triangle of land adjacent and to the west of MPR|APM’s downtown Saint Paul facility from the City of Saint Paul. 480 Cedar was purchased for $7,900,000 on March 13, 2002. 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 Series 2002 Bonds. The bonds were issued May 1, 2002, and will mature May 1, 2022. Interest on the bonds is based on a daily remarketing process; however, the rate is not to exceed 10%. Interest 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|APM. The bonds bear interest at a variable rate that at June 30, 2006 and 2005, was 4.09% and 2.35%, 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 366th day following the date on which the draw was paid by the bank.

These three 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, 2006, the Organization is in compliance with all letter of credit financial covenant requirements.

On June 30, 2006 and 2005, the Organization decided not to take part in the early redemption of Variable Rate Demand Revenue Bonds—Series 2002, Series 2005, and Series 2005-7, based on the early redemption schedule. The outstanding amount available to be redeemed on June 30, 2006 and 2005, was $910,000 and $370,000, respectively.

	2006	2005
Variable Rate Demand Revenue Bonds—Series 2005-7	$ 200,000	$ -
Variable Rate Demand Revenue Bonds—Series 2005	325,000	
Variable Rate Demand Revenue Bonds—Series 2002	385,000	370,000
Total	$ 910,000	$ 370,000

In conjunction with the purchase of 480 Cedar, MPR|APM 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|APM meets certain employment and construction commitments. The full potential amount was forgiven in 2006 and 2005.

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|APM 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.

In April 2005, MPR|APM and Public Radio International ("PRI") agreed to terminate the Radio Program Distribution Agreement ("Marketplace Agreement"). In connection with the termination of Marketplace Agreement, MPR|APM agreed to pay $1,750,000 to PRI. MPR|APM will pay this amount in 28 quarterly installments of $62,500 commencing on September 30, 2005, and ending on June 30, 2012. In return MPR|APM acquired the right to use the title "Marketplace" to designate any radio program or series of programs. As of June 30, 2005, the Marketplace Agreement terminated in its entirety. The obligation to pay $1,750,000 to PRI was recorded at a discounted rate of 3.625%.

The aggregate amounts of long-term debt maturities based upon the stated terms of the debt at June 30, 2006, are as follows:

Years Ending June 30	
2007	$ 1,336,000
2008	1,386,000
2009	1,682,000
2010	1,754,000
2011	1,833,000
Thereafter	27,623,000
Total	$ 35,614,000

The Organization incurred $1,160,000 and $643,000 of interest expense during the years ended June 30, 2006 and 2005, respectively, of which $0 and $155,000, respectively, was capitalized net of interest income of $84,000 and $35,000, respectively (see Note 3).

6. LEASES

The Organization leases office, studio, and transmission facilities under noncancelable operating leases. Total rent expense for all operating leases was $1,474,000 and $1,372,000 for the years ended June 30, 2006 and 2005, 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:

Years Ending June 30	
2007	$ 852,000
2008	809,000
2009	581,000
2010	532,000
2011	176,000
Thereafter	242,000
Total	$ 3,192,000

7. COMMITMENTS AND CONTINGENCIES

During the 10-year period to June 30, 2006, MPR|APM was awarded grants of approximately $1,372,000 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 10-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|APM received commitments in the amount of $8,050,000 that were contingent upon certain construction and fundraising requirements. At June 30, 2006 and 2005, $0 and $3,200,000 in refundable advances had

been received, respectively, and were reported as a refundable advance on the consolidated statement of financial position. The construction and fundraising conditions were met during the year ended June 30, 2006.

MPR|APM 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|APM.

8. RETIREMENT PLAN

MPR|APM and FTC participate in APMG's 403(b) tax-deferred retirement 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 $1,282,000 and $1,154,000 for the years ended June 30, 2006 and 2005, respectively.

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, 2006 and 2005, these charges totaled $3,234,000 and $2,522,000, respectively, and are included in administrative expenses.

For the years ended June 30, 2006 and 2005, MPR|APM charged SCPR $245,000 and $303,000, respectively, for providing various operational services. These are reflected in other earned revenue for MPR|APM.

During the years ended June 30, 2006 and 2005, MPR|APM charged KLBB $0 and $24,000, respectively, for providing various operational services. These are reflected in other earned revenue for MPR|APM.

GMG publishes a monthly magazine containing a programming guide that is purchased by MPR|APM and provided to individual members of MPR|APM. MPR|APM pays a specified amount to GMG for each month an MPR|APM member receives a magazine. Included in operations expense is $602,000 and $570,000 charged under this arrangement for the years ended June 30, 2006 and 2005, respectively.

Under an agreement with 1400 Inc. (licensee of radio stations KLBB and KLBP), a wholly owned for-profit subsidiary of MPR|APM, The KLBB Company provided certain programming for broadcast on KLBB and KLBP and sold advertising on those stations in exchange for the payment to 1400 Inc. of royalties based on sales. Royalties of $26,000 were paid to 1400 Inc. for the year ended June 30, 2005. No royalties were paid during the year ended June 30, 2006, as MPR|APM agreed to sell its stock in 1400 Inc., on May 27, 2005 (see Note 11).

Under an agreement with MPR|APM, GMG operates a consumer show on MPR|APM's behalf and pays MPR|APM the net proceeds of the show. Included in royalties and licensing fees revenue is $361,000 and $320,000 paid to MPR|APM for the years ended June 30, 2006 and 2005, 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|APM. 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|APM. 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, $3,862,000 in 2006. The distribution is then available to be granted to MPR|APM. The grant revenue recognized to MPR|APM was $3,651,000 and $4,274,000 for the years ended June 30, 2006 and 2005, respectively.

At June 30, 2006, the market value of the Earned Endowment held by APMG was $101,190,000 and at August 31, 2006, the market value was $102,473,000.

APMG also makes grants to MPR|APM from other funds outside of the Earned Endowment, as designated by the APMG Board of Trustees. During fiscal years 2006 and 2005, APMG agreed to provide grants of $83,000 and $1,289,000, respectively, to MPR|APM from these remaining funds in support of new initiatives, which is recorded as other intercompany grants on the consolidated statement of activities.

10. PERMANENT EXTERNAL ENDOWMENTS

MPR|APM 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|APM's beneficial interest in The Minnesota Public Radio|American Public Media Endowment Funds (the "Fund") held by Minnesota Community Foundation and MPR|APM's beneficial interest in the Oakleaf Endowment Trust for MPR|APM held by Oakleaf Foundation.

MPR|APM is party to an agreement with Minnesota Community Foundation, which established an irrevocable endowment fund named the Fund. The agreement with Minnesota Community Foundation requires a minimum annual distribution to MPR|APM of 6% of the 16-quarter moving average market value of the Fund's assets. Gifts to the Fund are irrevocable; however, the Fund could revert to MPR|APM in the event Minnesota Community Foundation liquidates. The Fund is managed at the discretion of Minnesota Community Foundation, except that MPR|APM may direct Minnesota Community Foundation to replace any investment manager if the Fund does not produce a reasonable return. The fair market value of the Fund was $19,860,000 and $18,776,000 at June 30, 2006 and 2005, respectively. On August 31, 2006, the fair market value of the Fund was $19,757,000.

The Oakleaf Endowment Trust for MPR|APM (the "Trust") was established by private donors on June 30, 1997, to maintain and enhance the quality of MPR|APM. An annual distribution is made to MPR|APM based on a formula specified in the Trust that is intended to ensure that payments to MPR|APM 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 $2,791,010 and $2,619,000 at June 30, 2006 and 2005, respectively. On August 31, 2006, the fair market value of the Trust was approximately $2,823,000.

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|APM's beneficial interest in the Fund and the Trust for MPR|APM as of June 30, 2006 and 2005, was $22,651,000 and $21,395,000, respectively. Investment return, net includes interest income and dividends of $393,000 and $429,000 for the years ended June 30, 2006 and 2005, respectively; net gain of $1,885,000 and $1,523,000, respectively; and transfers to the Minnesota Community Foundation of $17,000 and $174,000, respectively, net of the annual distributions from the respective endowments of $1,039,000 and $1,111,000, respectively, which are recorded as unrestricted grants from endowments within the consolidated statement of activities.

11. DISCONTINUED OPERATIONS

On May 27, 2005, MPR|APM 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 subject to Federal Communications Commission ("FCC") approval. 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 discontinued operations in fiscal year 2006.

The loss from operations of discontinued business of the 1400 Inc. was $50,000 in the fiscal year 2006 and $149,000 in the fiscal year 2005, and is shown separately in the consolidated statement of activities.

The gain from sale of the discontinued operations of 1400 Inc. was $590,000 in fiscal year 2006, and is shown separately in the consolidated statement of activities.

12. ACQUISITION

On November 19, 2004, MPR|APM purchased two noncommercial 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

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