Minnesota Public Radio| American Public Media and Subsidiaries

(An Affiliated Organization of American Public Media Group)

Consolidated Financial Statements as of and for the Year Ended June 30, 2007 (With Comparative Totals for the Year Ended June 30, 2006), and Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated statement of financial position of Minnesota Public Radio|American Public Media and subsidiaries (the "Organization"), an affiliated organization of American Public Media Group, as of June 30, 2007, 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, 2006, consolidated financial statements and, in our report dated October 26, 2006, 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 Minnesota Public Radio|American Public Media and subsidiaries as of June 30, 2007, 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 2007 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 2007 consolidated financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic 2007 consolidated financial statements taken as a whole.

Deloitte & Touche LLP

October 23, 2007

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, 2007
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2006)
(In thousands)

	Year Ended June 30, 2007							Year Ended June 30	
	Unrestricted							Total	
	Operating Fund	Property Fund	Designated Fund	Interfund Elimi-nations	Total	Temporarily Restricted	Permanently Restricted	2007	2006
SUPPORT FROM PUBLIC:									
Individual gifts and membership	$11,748	$ -	$ -	$ -	$11,748	$ 1,345	$ -	$ 13,093	$ 11,836
Individual gifts and membership released from restriction	736				736	(736)			
Regional underwriting	907				907	7,774		8,681	8,043
Regional underwriting released from restriction	7,667				7,667	(7,667)			
National underwriting	1,575				1,575	8,357		9,932	10,654
National underwriting released from restriction	8,763				8,763	(8,763)			
Business general support	1,016	3			1,019	21		1,040	891
Business general support released from restrictions	34	56			90	(90)			
Foundations	6	9			15	6,012		6,027	6,388
Foundations released from restriction	4,063	15			4,078	(4,078)			
Grants from endowments (Notes 9 and 10)	4,877				4,877			4,877	4,661
Other intercompany grants (Note 9)	1,462	374	210	(22)	2,024			2,024	83
Educational sponsors	392				392			392	772
Other public support	112				112			112	40
Total support from public	43,358	457	210	(22)	44,003	2,175	-	46,178	43,368
SUPPORT FROM GOVERNMENTAL AGENCIES:									
Corporation for Public Broadcasting (CPB)		1			1	7,128		7,129	5,395
CPB grants released from restriction	5,238	885			6,123	(6,123)			
Grants from other government agencies	282				282	3,470		3,752	645
Grants from other government agencies released from restriction	22	1,120			1,142	(1,142)			
Total support from governmental agencies	5,542	2,006	-	-	7,548	3,333	-	10,881	6,040
EARNED REVENUE:									
Revenue from broadcasting activities	16,092			(114)	15,978			15,978	13,882
Royalties and licensing fees	1,049		2		1,051			1,051	1,389
Investment return — net (Notes 2 and 10)	103	190	545		838	(9)	2,228	3,057	2,357
Other earned revenue	1,931	79		(200)	1,810			1,810	1,891
Other released from restriction		21			21	(21)			
Total earned revenue	19,175	290	547	(314)	19,698	(30)	2,228	21,896	19,519
Total support and earned revenue	68,075	2,753	757	(336)	71,249	5,478	2,228	78,955	68,927
EXPENSES:									
Operations	51,097	4,594	21	(336)	55,376			55,376	49,674
Administrative	9,496	1,403	407		11,306			11,306	10,293
Fundraising	8,674	1,093			9,767			9,767	6,867
Total expenses	69,267	7,090	428	(336)	76,449	-	-	76,449	66,834
SUPPORT AND REVENUE (LESS THAN) IN EXCESS OF EXPENSES	(1,192)	(4,337)	329		(5,200)	5,478	2,228	2,506	2,093
MINORITY INTEREST IN JOINT VENTURE	(63)				(63)			(63)	(29)
CAPITAL CAMPAIGN REVENUE	360	801			1,161	2,789		3,950	17,727
CAPITAL CAMPAIGN REVENUE RELEASED FROM RESTRICTION	541	2,350			2,891	(2,891)			
CAPITAL CAMPAIGN AND RELATED EXPENSES		(65)			(65)			(65)	(1,713)
LOSS FROM OPERATIONS OF DISCONTINUED BUSINESS (Note 11)									(50)
GAIN FROM SALE OF DISCONTINUED OPERATIONS (Note 11)									590
CONTRIBUTION TO APMG ENDOWMENT			(4,512)		(4,512)			(4,512)	
INTERFUND TRANSFERS	408	1,289	(1,721)		(24)	24			
CHANGE IN NET ASSETS	54	38	(5,904)	-	(5,812)	5,400	2,228	1,816	18,618
NET ASSETS — Beginning of year	159	52,343	16,956		69,458	13,811	22,651	105,920	87,302
NET ASSETS — End of year	$ 213	$52,381	$11,052	$ -	$63,646	$19,211	$24,879	$107,736	$105,920

See notes to consolidated financial statements

MINNESOTA PUBLIC RADIO|AMERICAN PUBLIC MEDIA AND SUBSIDIARIES

(An Affiliated Organization of American Public Media Group)

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2006)
(In thousands)

	Year Ended June 30, 2007			Consolidated Total Year Ended June 30	
	Operations	Administrative	Fundraising	2007	2006
Personnel (less fringe benefits)	$ 23,330	$ 3,911	$ 3,314	$ 30,555	$ 27,101
Fringe benefits	4,936	441	724	6,101	5,884
Programming	13,066	642	841	14,549	11,055
Space costs	952	246	68	1,266	1,500
Utilities	1,629	70	41	1,740	1,468
Repairs and maintenance	1,428			1,428	1,165
Insurance	32	389	6	427	400
Facilities	249		68	317	148
Membership and development	10	1	1,116	1,127	1,116
Promotion and development	3,460	50	1,899	5,409	4,963
Travel and training	824	167	74	1,065	1,042
Other general expenses	1,005	820	301	2,126	2,357
Depreciation	3,239	1,258	22	4,519	3,566
Licensing and financial	1,216	3,311	1,293	5,820	5,069
TOTAL EXPENSES	$ 55,376	$ 11,306	$ 9,767	$ 76,449	$ 66,834

See notes to consolidated financial statements.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2007
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2006)
(In thousands)

	June 30, 2007								
	Unrestricted								
	Operating Fund	Property Fund	Designated Fund	Interfund Elimi- nations	Total	Tempo- rarily Restricted	Perma- nently Restricted	Consoli- dated Total	June 30, 2006 Total
ASSETS									
CURRENT ASSETS:									
Cash and cash equivalents due from parent	$ -	$ -	$ -	$ -	$ -	$ 3,332	$ -	$ 3,332	$ 2,994
Accounts receivable — trade — net	7,531				7,531	6,793		14,324	12,189
Pledges receivable — capital campaign	308	717			1,025	2,599		3,624	2,476
Grants receivable	3,006				3,006	4,635		7,641	4,070
Tax receivable	36				36			36	
Prepaid expenses	765				765			765	759
Inventory	203				203			203	137
Due from (to) other funds		6,522	3,867	(10,389)					
Total current assets	11,849	7,239	3,867	(10,389)	12,566	17,359	-	29,925	22,625
NET PROPERTY AND EQUIPMENT (Note 3)	-	56,190	-	-	56,190	-	-	56,190	55,464
OTHER ASSETS:									
Interest in investment pool (Note 2)	2,313	2,640	6,950		11,903	359		12,262	19,928
Investments (Note 2)		521	235		756	99		855	866
Endowment funds held by others (Note 10)							24,879	24,879	22,651
Accounts receivable, trade, net of present value discount of $52 and $27 in 2007 and 2006, respectively	4				4	632		636	336
Pledges receivable, capital campaign, net of present value of discount of $243 and $423 in 2007 and 2006, respectively	11	2,946			2,957			2,957	3,578
Grant receivable, net of present value discount of $45 and $105 in 2007 and 2006, respectively						550		550	1,693
Accounts receivable — affiliate	1,585				1,585			1,585	
Debt issuance costs — net		315			315			315	333
Broadcast licenses and other intangibles — net (Note 4)		16,653			16,653			16,653	17,252
Other	1,336				1,336	272		1,608	1,805
Total other assets	5,249	23,075	7,185	-	35,509	1,912	24,879	62,300	68,442
TOTAL	$ 17,098	$ 86,504	$ 11,052	$(10,389)	$104,265	$ 19,271	$ 24,879	$148,415	$146,531
LIABILITIES AND NET ASSETS									
CURRENT LIABILITIES:									
Accounts payable — trade	$ 1,875	$ -	$ -	$ -	$ 1,875	$ -	$ -	$ 1,875	$ 1,922
Current portion of long-term obligations (Note 5)	211	1,175			1,386	6		1,392	1,336
Accrued liabilities	3,451	44			3,495			3,495	2,995
Deferred revenue	32				32			32	80
Due to (from) other funds	10,389			(10,389)					
Total current liabilities	15,958	1,219	-	(10,389)	6,788	6	-	6,794	6,333
OTHER LIABILITIES — Long-term obligations — less current portion (Note 5)	927	32,904			33,831	54		33,885	34,278
Total liabilities	16,885	34,123	-	(10,389)	40,619	60	-	40,679	40,611
COMMITMENTS AND CONTINGENCIES (Note 7)									
NET ASSETS	213	52,381	11,052		63,646	19,211	24,879	107,736	105,920
TOTAL	$ 17,098	$ 86,504	$ 11,052	$(10,389)	$104,265	$ 19,271	$ 24,879	$148,415	$146,531

See notes to consolidated financial statements.

MINNESOTA PUBLIC RADIO|AMERICAN PUBLIC MEDIA AND SUBSIDIARIES

(An Affiliated Organization of American Public Media Group)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2006)
(In thousands)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 1,816	$ 18,618
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	5,136	4,189
Unrealized gains on investments — net	(196)	
Gain on sale of assets — net		(614)
Increase in endowment funds held by others	(2,228)	(1,256)
Restricted contributions and grants	(3,789)	1,583
Loan forgiveness — City of Saint Paul	(192)	(180)
Decrease (increase) in assets:		
Accounts receivable	(2,434)	(3,029)
Grants receivable	(2,428)	1,260
Due from affiliate	(1,585)	
Prepaid expenses	(47)	(105)
Other	137	1,133
Increase (decrease) in liabilities:		
Accounts payable — trade and accrued liabilities	103	(3,541)
Refundable advance		(3,200)
Total adjustments	(7,523)	(3,760)
Net cash (used in) provided by operating activities	(5,707)	14,858
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(4,944)	(16,275)
Purchase of investments	(153)	(587)
Sale of investments	70	9,802
Change in interest in investment pool-net	7,956	(11,561)
Proceeds from sale of business		5,200
Other acquisitions		(74)
Net cash provided to parent	(338)	(124)
Net cash provided by (used in) investing activities	2,591	(13,619)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Debt issuance costs		(121)
Borrowings on long-term debt		11,500
Payment on short-term debt		(11,000)
Restricted contributions and grants	3,259	(1,327)
Principal payments on long-term debt	(143)	(291)
Net cash provided by (used in) financing activities	3,116	(1,239)
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	$ 154	$ 454
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION — Cash paid during the year for interest	$ 1,322	$ 1,160

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 (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, MN. 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 of 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 engaged 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,). 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 its 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 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 received royalties from a Greenspring subsidiary, KLBB, based on sales of certain advertising. Another Greenspring subsidiary, GMG, produces a trade show on MPR|APM's behalf and is paid a production fee in addition to direct expenses. 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 funds 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 by 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, 2007 and 2006, were restricted for:

	2007	2006
Program support	$ 14,471,000	$ 12,860,000
Capital	4,740,000	951,000
Total	$ 19,211,000	$ 13,811,000

Temporarily restricted funds released from donor-imposed restrictions for the years ended June 30, 2007 and 2006, are comprised of the following:

	2007	2006
Individual gifts and membership	$ 736,000	$ 65,000
Regional underwriting	7,667,000	6,896,000
National underwriting	8,763,000	9,428,000
Business general support	90,000	60,000
Foundations	4,078,000	2,978,000
CPB grants	6,123,000	3,364,000
Grants from other governmental agencies	1,142,000	643,000
Other earned revenue	21,000	43,000
Capital campaign revenue	2,891,000	18,909,000
Total	$31,511,000	$42,386,000

Permanently Restricted — Permanently restricted funds are those funds subject to donor-imposed restrictions that 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, 2007 and 2006, represent endowment funds held by external parties (Note 10).

Summarized Financial Information for the Year Ended June 30, 2006 — The consolidated financial statements and notes to 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, 2006, from which the summarized information was derived.

Basis of Accounting — The consolidated 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. The 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 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 fees 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 when services are exchanged.

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

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, that 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 — Trade, Pledges Receivable — Capital Campaign and Grants Receivable — 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. Pledges receivable from various corporations, foundations, and individuals were discounted between 1.660% and 5.125% at June 30, 2007.

Accounts receivable — trade are presented, net of allowances for doubtful accounts of $814,000 and $697,000 at June 30, 2007 and 2006, respectively, to provide for estimated bad debts.

At June 30, 2007, accounts receivable — trade, pledges receivable — capital campaign, and grants receivable were due as follows:

	Temporarily Restricted	Unrestricted	Total
In less than one year	$ 14,027,000	$ 11,562,000	$ 25,589,000
In one to five years	1,182,000	2,952,000	4,134,000
In greater than five years		9,000	9,000
Total	$ 15,209,000	$ 14,523,000	$ 29,732,000

Accounts receivable, grants receivable, and pledges — capital campaign are recorded on the consolidated statement of financial position for the year ended June 30, 2007, as follows:

Current:	
Accounts receivable — trade	$ 14,324,000
Pledges receivable — capital campaign	3,624,000
Grants receivable	7,641,000
Noncurrent:	
Accounts receivable — trade	636,000
Pledges receivable — capital campaign	2,957,000
Grants receivable	550,000
Total	$ 29,732,000

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

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 Financial Accounting Standards Board (FASB) Statement No. 142, *Goodwill and Other Intangible Assets*. Other intangibles are amortized over 15 years using the straight-line method. During 2007 and 2006, the Organization did not record any impairments of intangible assets.

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.

Other Assets — Other assets include barter assets. Barter assets are recorded at fair market value and expensed as used.

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.

MPR|APM and FTC are engaged in certain activities that result in unrelated business income. For the years ended June 30, 2007 and 2006, MPR|APM and FTC made tax payments of $0 and $306,000, respectively. MPR|APM and FTC paid $0 for the 2007 estimated tax payments and $179,000 for the 2006 tax payments. For the year ended June 30, 2007, MPR|APM booked an estimated tax expense included in administration expenses amounted to $10,000.

Fair Value of Financial Instruments — The carrying values of cash and cash equivalents, trade, 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 financial position and statement of activities.

The Organization continually monitors the differences between the cost and estimated fair value of investments. If any of the Organization's investments experience a decline in value that the Organization believes is other than temporary, the Organization records a loss. There was no other than temporary impairment loss recorded for the years ended June 30, 2007 and 2006.

Derivative Instruments and Hedging Activities — Management has reviewed the requirements of FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities as amended by* FASB Statement 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. There were no impairments taken in 2007 or 2006.

Use of Estimates— The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions, such as the allowance for doubtful accounts receivable, severance accrual and the bonus accrual that effect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

New Accounting Standards — In June 2006, the FASB issued FASB Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109.* FIN No. 48 clarifies the accounting for uncertain tax positions in accordance with FASB Statement No. 109, *Accounting for Income Taxes* FIN No. 48 is effective for the Organization for the year ended June 30, 2008. The Organization is currently evaluating the impact of this standard on its consolidated financial statements.

In September 2006, the FASB issued FASB Statement No. 157, *Fair Value Measurements*, which establishes a framework for reporting fair value and expands disclosure about fair value measurements. FASB Statement No. 157 is effective for the Organization for the year ended June 30, 2009. The Organization is currently evaluating the impact on the consolidated financial statements.

In February 2007, the FASB issued FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115*. FASB Statement No. 159 permits an entity to elect their fair value as the initial and subsequent measurement attribute for many financial statement assets and liabilities. Entities electing the fair value option would be required to recognize changes in fair value in earnings. Entities electing the fair value option are required to distinguish, on the face of the statement of the financial statements, the fair value of assets and liabilities for which the fair value option has been elected and similar assets and liabilities measured using another measure attribute. FASB Statement No. 159 is effective for the Organization for the year ended June 30, 2009. The adjustment to reflect the difference between the fair value and the carrying amount would be accounted for as cumulative-effect adjustment to net assets as of the initial date of the adoption. The Organization is currently evaluating the impact on the consolidated financial statements.

Reclassifications — Certain prior-year amounts have been reclassified to conform to the current year's presentation. The consolidated statement of financial position includes changes in investments presentation to reclassify $19,928,000 out of investments and into interest in investment pool. The consolidated statement of cash flows includes a change in investing activities presentation to reclassify $13,433,000 out of purchase of investments, $1,872,000 out of sale of investments and $11,561,000 into change in interest in investment pool-net. These reclassifications had no impact on total other assets, total assets and net cash provided by/(used in) investing activities.

2. INVESTMENTS

Investments at June 30, 2007 and 2006, consisted of the following:

	2007	2006
Investments:		
MPR|APM board-designated fund	$ 7,185,000	$ 13,217,000
MPR|APM capital campaigns	4,083,000	5,339,000
MPR|APM investments limited to use	278,000	265,000
MPR|APM major item replacement reserves	1,044,000	1,443,000
MPR|APM interest rate swap	243,000	322,000
MPR|APM operating fund	185,000	184,000
MPR|APM charitable gift annuities	99,000	24,000
Total	$ 13,117,000	$ 20,794,000

MPR|APM'S investments and interest in investment pool held and their allocation of the investments held at APMG at June 30, 2007 and 2006, were as follows:

	2007	2006
Interest in investment pool	$ 12,262,000	$ 19,928,000
Corporate debt securities	258,000	279,000
Corporate equity securities	40,000	
Cash equivalents/money market	314,000	265,000
Interest rate swap	243,000	322,000
Total	$ 13,117,000	$ 20,794,000

Investments are carried at fair value based on quoted market prices or estimated using a fair value pricing model.

Net investment return for the years ended June 30, 2007 and 2006, consisted of the following:

	2007	2006
Net investment return:		
Interest income	$ 848,000	$ 839,000
Realized losses	(215,000)	(54,000)
Unrealized gains (losses)	290,000	(6,000)
Change in value of split interest agreement charitable gift annuities	(15,000)	
Change in value of interest rate swap	(79,000)	322,000
Total	$ 829,000	$ 1,101,000

Investments held are to support long-term operations. MPR's interest in investment pool has $12,262,000 and $19,928,000 at June 30, 2007 and 2006, respectively, and is comprised of fixed income securities and cash equivalents at APMG. 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, 2007 and 2006, was $838,000 and $1,101,000, 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 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.

MPR|APM's charitable gift annuities are split interest agreements that reflect transfers of assets by donors to MPR|APM in exchange for a promise to receive fixed annual payments for the remainder of the beneficiary's life. At the time of the agreement, the difference between the assets transferred from the donor and the related annuity liability was recognized as a contribution. The liability is adjusted annually for changes in discount rates, actuarial assumptions and other changes to estimated future benefits. Restricted funds are classified accordingly.

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. MPR|APM pays or receives a monthly settlement based on the difference between the fixed and floating rates. During the years ended June 30, 2007 and 2006, MPR|APM paid interest expense of $0 and $6,000, respectively, and received interest income of $28,000 and $3,000, respectively, towards the monthly swap settlement which is shown as a part of investment return — net on the consolidated 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, 2007 and 2006, the outstanding fair value of the agreement was $243,000 and $322,000, respectively. 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, 2007 and 2006, consisted of the following:

	2007	2006
Cost:		
Land	$ 8,730,000	$ 8,730,000
Building and leasehold improvements	46,105,000	41,626,000
Equipment	37,812,000	34,301,000
Construction-in-progress	587,000	4,322,000
Total cost	93,234,000	88,979,000
Less accumulated depreciation and amortization	37,044,000	33,515,000
Total	$ 56,190,000	$ 55,464,000

Total depreciation expense and amortization of leasehold improvements charged to operations in the property fund was $4,519,000 and $3,566,000 for the years ended June 30, 2007 and 2006, respectively.

Construction-In-Progress — Construction-in-progress at June 30, 2007, represents costs incurred in connection with acquisition and implementation of media infrastructure projects.

Total interest capitalized on construction-in-progress during the years ended June 30, 2007 and 2006, was $0 as projects are funded by grants and the 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, 2007 and 2006, consisted of the following:

	2007	2006
Broadcast licenses	$21,044,000	$21,044,000
Other intangibles	1,121,000	1,121,000
	22,165,000	22,165,000
Less accumulated amortization	5,512,000	4,913,000
Total	$16,653,000	$17,252,000

Total amortization expense charged to operations was $599,000 for both years ended June 30, 2007 and 2006, 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	
2008	$ 599,000
2009	599,000
2010	599,000
2011	599,000
2012	599,000
Thereafter	13,658,000
Total	$ 16,653,000

5. LONG-TERM OBLIGATIONS

Long-term obligations at June 30, 2007 and 2006, consisted of the following:

	2007	2006
Variable Rate Demand Revenue Bonds—Series 2005-7	$ 11,500,000	$ 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	2,706,000	2,898,000
Saint Paul Foundation note payable	218,000	218,000
Charitable gift annuities	54,000	
Other obligations	1,144,000	1,343,000
Total long-term obligations	35,277,000	35,614,000
Less amounts due within one year	1,392,000	1,336,000
Long-term portion	$ 33,885,000	$ 34,278,000

The Port Authority of the City of St. Paul, MN, issued Variable Rate Demand Revenue Bonds — Series 2005-7 (“Series 2005–7 Bonds”) on behalf of the Organization for $11,500,000 to refinance the purchase of two noncommercial educational radio broadcast stations, WCAL (FM), Northfield, MN, and KMSE (FM), Rochester, MN. This transaction was initially financed by a $11,000,000 variable interest rate, short-term loan from Allied Irish Bank. The proceeds from the bonds were used to pay off the $11,000,000, short-loan from Allied Irish Bank. The remaining proceeds from the bonds were transferred to the trustee (Wells Fargo Bank), who was required by the indenture to deposit the same in the investments limited to use. 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 3.91% and 4.04% for the years ended June 30, 2007 and 2006, respectively. Repayment of the Series 2005–7 Bonds is further secured by an irrevocable letter of credit issued by Allied Irish Bank. 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, MN, issued Variable Rate Demand Revenue Bonds — Series 2005 (“Series 2005 Bonds”) on behalf of the Organization to finance the construction, remodeling, and equipping of capital facilities at 480 Cedar Street. The Series 2005 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 was 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 3.91% and 4.04% for the years ended June 30, 2007 and 2006, respectively. Repayment of the Series 2005 Bonds is further secured by an irrevocable letter of credit issued by Allied Irish Bank. The letter of credit on the date of issue was for $10,123,288. The letter of credit expires on June 16, 2010.

The Housing and Redevelopment Authority of the City of Saint Paul, MN, issued Variable Rate Demand Revenue Bonds — Series 2002 ("Series 2002 Bonds") on behalf of the Organization to finance the purchase of land and an existing 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, 2007 and 2006, was 3.96% and 4.09%, respectively, plus a letter of credit fee of 60 basis points and a remarketing fee of nine basis points. The letter of credit on the date of issuance was $10,123,288. The letter of credit expires on May 23, 2010.

The three letters of credit noted above 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, 2007, the Organization is in compliance with all letter of credit financial covenant requirements except for the covenant to maintain a debt service ratio of less than 1.25 to 1.0. The Organization received a waiver from Allied Irish Bank, p.l.c., dated October 23, 2007, for the noncompliance of this covenant.

On June 30, 2007 and 2006, 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, 2007 and 2006, was $940,000 and $910,000, respectively.

	2007	**2006**
Variable Rate Demand Revenue Bonds — Series 2005-7	$ 200,000	$ 200,000
Variable Rate Demand Revenue Bonds — Series 2005	340,000	325,000
Variable Rate Demand Revenue Bonds — Series 2002	400,000	385,000
Total	$ 940,000	$ 910,000

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 of $378,000 was forgiven in both 2007 and 2006.

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") as of June 30, 2005. In connection with the termination of the Marketplace Agreement, MPR|APM agreed to pay $1,750,000 to PRI. The 28 quarterly installments of $62,500 commenced on September 30, 2005 and end with a final payment 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. The obligation to pay $1,750,000 to PRI was recorded at a discounted rate of 3.625% and its current value is stated above as an "Other Obligation".

The aggregate amounts of long-term debt maturities based upon the stated terms of the debt at June 30, 2007, are as follows:

2008	1,392,000
2009	1,688,000
2010	1,760,000
2011	1,839,000
2012	1,923,000
Thereafter	26,675,000
Total	$ 35,277,000

The Organization incurred $1,322,000 and $1,160,000 of interest expense during the years ended June 30, 2007 and 2006, respectively, none of which was capitalized net of interest income of $0 and $84,000, 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 $1,241,000 and $1,474,000 for the years ended June 30, 2007 and 2006, respectively, and are included within space costs on the consolidated statement of functional expenses.

Minimum future payments required under noncancelable operating leases as of June 30, 2007, are as follows:

Years Ending June 30	
2008	$ 724,000
2009	658,000
2010	541,000
2011	174,000
2012	95,000
Thereafter	333,000
Total	$ 2,525,000

7. COMMITMENTS AND CONTINGENCIES

During the 10-year period to June 30, 2007, MPR|APM was awarded grants of approximately $1,075,000 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.

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 consolidated financial position of MPR|APM.

8. RETIREMENT PLAN

MPR|APM and FTC employees 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 $1,435,000 and $1,282,000 for the years ended June 30, 2007 and 2006, 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, 2007 and 2006, these charges totaled $3,271,000 and $3,234,000, respectively, and are included in administrative expenses.

For the years ended June 30, 2007 and 2006, MPR|APM charged SCPR $196,000 and $245,000, respectively, for providing various operational services and facilities costs. 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 $634,000 and $602,000 charged under this arrangement for the years ended June 30, 2007 and 2006, respectively.

Under an agreement with MPR|APM, GMG produces a consumer show on MPR|APM's behalf. In addition to direct expense, GMG is paid a production fee included in fundraising expense of $221,000 and $361,000 for the years ended June 30, 2007 and 2006, 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 which was $3,862,000 in 2007. The distribution is then available to be granted to MPR|APM. The grant revenue recognized to MPR|APM was $3,796,000 and $3,651,000 for the years ended June 30, 2007 and 2006, respectively.

At June 30, 2007, the market value of the earned endowment held by APMG was $118,020,000 and at August 31, 2007, the market value was $116,165,000.

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 2007 and 2006, APMG agreed to provide grants of $2,024,000 and $83,000, 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 FASB Statement 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 FASB Statement 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 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 $21,651,000 and $19,860,000 at June 30, 2007 and 2006, respectively. On August 31, 2007, the fair market value of the Fund was $21,540,000.

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 $3,228,000 and $2,791,010 at June 30, 2007 and 2006, respectively. On August 31, 2007, the fair market value of the Trust was approximately $3,192,000.

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 as of June 30, 2007 and 2006, was $24,879,000 and $22,651,000, respectively. Investment return, net includes interest income and dividends of $417,000 and $393,000 for the years ended June 30, 2007 and 2006, respectively; net gain of $2,908,000 and $1,885,000, respectively; and transfers to the Minnesota Community Foundation of $12,000 and $17,000, respectively, net of the annual distributions from the respective endowments of $1,108,000 and $1,039,000, 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 owned 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 is shown separately in the consolidated statement of activities.

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

12. SUBSEQUENT EVENT

On August 28, 2007, MPR|APM entered into six long-term leases of its Educational Broadband Services (EBS) frequencies to Nextel Spectrum Acquisition Corporation ("Sprint Nextel"). Under current Federal Communications Corporation (FCC) rules, licensees are allowed to lease out their "excess capacity" to commercial entities. MPR|APM will remain the licensee on all of these EBS licenses and will have the responsibility for compliance with all educational and other requirements imposed by the FCC. The total lease payments of $24,350,000 will be made in the first year of the leases. The leases extend over a period of 30 years. During the term, "Sprint Nextel" or a company it designates may purchase the frequencies for a minimal price. These leases must be approved by the FCC to become final.

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