McGladrey & Pullen
Certified Public Accountants

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

Consolidated Financial Report
June 30, 2008

McGladrey & Pullen, LLP is a member firm of RSM International –
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Independent Auditor's Report

To the Board of Trustees
Minnesota Public Radio I American Public Media

We have audited the accompanying consolidated statement of financial position of Minnesota Public Radio I American Public Media and Subsidiary (the Organization), an affiliated organization of American Public Media Group, as of June 30, 2008, 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's summarized comparative information has been derived from the Organization's 2007 consolidated financial statements, before they were restated for the matter discussed in Note 12 to the consolidated financial statements, which were audited by other auditors, whose report, dated October 23, 2007, expressed an unqualified opinion on those 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 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, and evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2008 consolidated financial statements present fairly, in all material respects, the financial position of Minnesota Public Radio I American Public Media and Subsidiary as of June 30, 2008, and the results of their 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 2008 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 2008 consolidated financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic 2008 consolidated financial statements taken as a whole.

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As discussed in Note 12 to the consolidated financial statements, the 2007 consolidated financial statements have been restated for an error in the method of amortizing intangible assets. We also audited the adjustments discussed in Note 12 that were applied to restate the 2007 consolidated financial statements. In our opinion, such adjustments are appropriate and properly applied.

McGladrey & Pullen, LLP

Minneapolis, Minnesota
October 29, 2008

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

Consolidated Statement of Activities
Year Ended June 30, 2008, With Comparative Totals for the Year Ended June 30, 2007
(In Thousands)

	Year Ended June 30, 2008								Year Ended (Restated, Note 12) June 30, 2007
	Unrestricted								
	Operating Fund	Property Fund	Designated Fund	Interfund Eliminations	Total	Temporarily Restricted	Permanently Restricted	Consolidated Total	Consolidated Total
Support from public:									
Individual gifts and membership	$ 12,526	$ -	$ -	$ -	$ 12,526	$ 1,085	$ 318	$ 13,929	$ 13,093
Individual gifts and membership released from restriction	780	500	-	-	1,280	(1,280)	-	-	-
Regional underwriting	-	-	-	-	-	9,984	-	9,984	8,681
Regional underwriting released from restriction	9,629	-	-	-	9,629	(9,629)	-	-	-
National underwriting	-	-	-	-	-	12,562	-	12,562	9,932
National underwriting released from restriction	11,384	-	-	-	11,384	(11,384)	-	-	-
Business general support	767	-	-	-	767	5	-	772	1,040
Business general support released from restrictions	415	-	-	-	415	(415)	-	-	-
Foundations	41	16	-	-	57	6,633	-	6,690	6,027
Foundations released from restriction	4,165	-	-	-	4,165	(4,165)	-	-	-
Grant from APMG Earned Endowment (Note 10)	4,580	-	1,183	-	5,763	-	-	5,763	3,796
Other intercompany grants (Note 10)	949	3,571	-	-	4,520	-	-	4,520	2,024
Educational sponsors	453	-	-	-	453	-	-	453	392
Other public support	187	-	-	-	187	81	-	268	112
Total support from public	45,876	4,087	1,183	-	51,146	3,477	318	54,941	45,097
Support from governmental agencies:									
Corporation for Public Broadcasting (CPB)	-	-	-	-	-	6,466	-	6,466	7,129
CPB grants released from restriction	5,186	1,874	-	-	7,060	(7,060)	-	-	-
Grants from other governmental agencies	-	-	-	-	-	331	-	331	3,752
Grants from other governmental agencies released from restriction	346	1,140	-	-	1,486	(1,486)	-	-	-
Total support from governmental agencies	5,532	3,014	-	-	8,546	(1,749)	-	6,797	10,881
Earned revenue:									
Revenue from broadcasting activities	16,183	-	-	(102)	16,081	-	-	16,081	15,978
Royalties and licensing fees (Note 11)	708	-	756	-	1,464	-	-	1,464	1,051
Investment return, net (Note 3)	1,424	(357)	157	-	1,224	(27)	(1,889)	(692)	4,138
Other earned revenue	2,254	33	-	(173)	2,114	-	-	2,114	1,810
Total earned revenue	20,569	(324)	913	(275)	20,883	(27)	(1,889)	18,967	22,977
Total support and earned revenue	71,977	6,777	2,096	(275)	80,575	1,701	(1,571)	80,705	78,955

(Continued)

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

Consolidated Statement of Activities (Continued)
Year Ended June 30, 2008, With Comparative Totals for the Year Ended June 30, 2007
(In Thousands)

	Year Ended June 30, 2008								Year Ended (Restated, Note 12) June 30, 2007
	Unrestricted								
	Operating Fund	Property Fund	Designated Fund	Interfund Eliminations	Total	Temporarily Restricted	Permanently Restricted	Consolidated Total	Consolidated Total
Expenses:									
Operations	52,665	4,168	28	(275)	56,586	-	-	56,586	54,850
Administrative	10,445	1,774	-	-	12,219	-	-	12,219	11,306
Fundraising	8,627	886	-	-	9,513	-	-	9,513	9,767
Total expenses	71,737	6,828	28	(275)	78,318	-	-	78,318	75,923
Support and revenue in excess of (less than) expenses	240	(51)	2,068	-	2,257	1,701	(1,571)	2,387	3,032
Minority interest in joint venture	(11)	-	-	-	(11)	-	-	(11)	(63)
Capital campaign:									
Public support	-	-	-	-	-	418	-	418	3,950
Revenue released from restriction	-	1,245	-	-	1,245	(1,245)	-	-	-
Campaign and related expenses	-	-	-	-	-	-	-	-	(65)
Grants to APMG (Note 10)	-	(838)	(731)	-	(1,569)	-	-	(1,569)	(4,512)
Interfund transfers	(111)	4,439	(4,328)	-	-	-	-	-	-
Change in net assets	118	4,795	(2,991)	-	1,922	874	(1,571)	1,225	2,342
Net assets — beginning of year, as restated (Note 12)	213	54,372	11,052	-	65,637	19,211	24,879	109,727	107,385
Net assets — end of year	$ 331	$ 59,167	$ 8,061	$ -	$ 67,559	$ 20,085	$ 23,308	$ 110,952	$ 109,727

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

Consolidated Statement of Functional Expenses
Year Ended June 30, 2008, With Comparative Totals for the Year Ended June 30, 2007
(In Thousands)

	Year Ended June 30, 2008				Year Ended (Restated, Note 12) June 30, 2007
	Operations	Administrative	Fundraising	Consolidated Total	Consolidated Total
Personnel (less fringe benefits)	$ 24,932	$ 4,692	$ 3,928	$ 33,552	$ 30,555
Fringe benefits	5,422	356	762	6,540	6,101
Programming	12,300	405	347	13,052	14,549
Space costs	971	250	52	1,273	1,266
Utilities	1,746	77	81	1,904	1,740
Repairs and maintenance	1,520	2	-	1,522	1,428
Insurance	23	423	1	447	427
Facilities	291	-	-	291	317
Membership and development	-	-	1,033	1,033	1,127
Promotion and development	3,741	-	1,884	5,625	5,409
Travel and training	825	277	104	1,206	1,065
Other general expenses	881	569	186	1,636	2,126
Depreciation	3,623	1,413	25	5,061	4,519
Financial and other	311	3,755	1,110	5,176	5,294
Total expenses	$ 56,586	$ 12,219	$ 9,513	$ 78,318	$ 75,923

See Notes to Consolidated Financial Statements.

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

Consolidated Statement of Financial Position
June 30, 2008, With Comparative Totals as of June 30, 2007
(In Thousands)

	June 30, 2008								June 30, 2007 (Restated, Note 12)
	Unrestricted								
Assets	Operating Fund	Property Fund	Designated Fund	Interfund Eliminations	Total	Temporarily Restricted	Permanently Restricted	Consolidated Total	Consolidated Total
Current Assets									
Cash and cash equivalents due from parent	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,332
Accounts receivable — trade, net	8,377	-	-	-	8,377	7,868	-	16,245	14,324
Pledges receivable — capital campaign	101	706	-	-	807	1,500	-	2,307	3,624
Grants receivable	1,460	-	-	-	1,460	2,691	-	4,151	7,641
Tax receivable	-	-	-	-	-	-	-	-	36
Prepaid expenses	790	73	-	-	863	-	-	863	765
Inventory	241	-	-	-	241	-	-	241	203
Note receivable from APMG (Note 10)	-	-	806	-	806	-	-	806	-
Other	340	-	-	-	340	349	-	689	470
Due from (to) other funds	-	8,197	1,536	(9,733)	-	-	-	-	-
Total current assets	11,309	8,976	2,342	(9,733)	12,894	12,408	-	25,302	30,395
Net Property and Equipment (Note 3)	-	55,786	-	-	55,786	-	-	55,786	56,190
Other Assets									
Investments (Note 3)	-	-	217	-	217	88	-	305	855
Interest in investment pool (Note 3)	2,260	5,466	6,308	-	14,034	6,533	-	20,567	12,262
Endowment funds held by others	-	-	-	-	-	-	23,308	23,308	24,879
Accounts receivable, trade, net of present value discount (Note 2)	11	-	-	-	11	499	-	510	636
Pledges receivable, capital campaign, net of present value discount (Note 2)	11	693	-	-	704	-	-	704	2,957
Grant receivable, net of present value discount (Note 2)	-	-	-	-	-	627	-	627	550
Accounts receivable — affiliate	2,486	3,545	-	-	6,031	-	-	6,031	1,585
Debt issuance costs, net	-	296	-	-	296	-	-	296	315
Broadcast licenses not subject to amortization, net (Notes 5 and 12)	-	18,123	-	-	18,123	-	-	18,123	18,123
Intangible assets subject to amortization, net (Note 5)	927	449	-	-	1,376	-	-	1,376	1,659
Note receivable from APMG, less current portion (Note 10)	-	-	22,631	-	22,631	-	-	22,631	-
Total other assets	5,695	28,572	29,156	-	63,423	7,747	23,308	94,478	63,821
Total assets	$ 17,004	$ 93,334	$ 31,498	$ (9,733)	$ 132,103	$ 20,155	$ 23,308	$ 175,566	$ 150,406
Liabilities and Net Assets									
Current Liabilities									
Accounts payable — trade	$ 1,756	$ -	$ -	$ -	$ 1,756	$ -	$ -	$ 1,756	$ 1,875
Current portion of long-term obligations (Note 6)	219	1,463	-	-	1,682	6	-	1,688	1,392
Accrued liabilities	4,237	40	-	-	4,277	-	-	4,277	3,495
Deferred revenue (Note 11)	20	-	805	-	825	-	-	825	32
Due to (from) other funds	9,733	-	-	(9,733)	-	-	-	-	-
Total current liabilities	15,965	1,503	805	(9,733)	8,540	6	-	8,546	6,794
Long-Term Liabilities									
Long-term obligations, less current portion (Note 6)	708	32,411	-	-	33,119	64	-	33,183	33,885
Interest rate swap (Note 2)	-	253	-	-	253	-	-	253	-
Deferred revenue, less current portion (Note 11)	-	-	22,632	-	22,632	-	-	22,632	-
Total liabilities	16,673	34,167	23,437	(9,733)	64,544	70	-	64,614	40,679
Commitments and Contingencies (Notes 6, 7 and 8)									
Net Assets	331	59,167	8,061	-	67,559	20,085	23,308	110,952	109,727
Total liabilities and net assets	$ 17,004	$ 93,334	$ 31,498	$ (9,733)	$ 132,103	$ 20,155	$ 23,308	$ 175,566	$ 150,406

See Notes to Consolidated Financial Statements.

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

Consolidated Statements of Cash Flows
Year Ended June 30, 2008, With Comparative Totals for the Year Ended June 30, 2007
(In Thousands)

	2008	2007 (Restated, Note 12)
Cash Flows From Operating Activities		
Change in net assets	$ 1,225	$ 2,342
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	5,363	4,610
Unrealized (gains) losses on investments, net	517	(196)
Decrease (increase) in endowment funds held by others	1,571	(2,228)
Restricted contributions and grants	(613)	(8,215)
Grant to APMG	731	-
Loan forgiveness — City of Saint Paul	(205)	(192)
Decrease (increase) in assets:		
Accounts, pledges and taxes receivable	(1,759)	(2,434)
Grants receivable	3,413	(2,428)
Due from affiliate	(4,446)	(1,585)
Prepaid expenses	(98)	(47)
Inventory and other assets	(257)	137
Increase (decrease) in liabilities:		
Accounts payable — trade and accrued liabilities	580	103
Deferred revenue	(818)	-
Total adjustments	3,979	(12,475)
Net cash provided by (used in) operating activities	5,204	(10,133)
Cash Flows From Investing Activities		
Purchase of property and equipment	(4,574)	(4,944)
Purchase of investments	(521)	(153)
Proceeds from sale of investments	276	70
Net (purchases) sales of investment pool	(7,774)	7,956
Prepayment received on long-term lease	24,243	-
Loan to APMG	(24,168)	-
Net cash provided to (from) parent	3,332	(338)
Net cash provided by investing activities	(9,186)	2,591
Cash Flows From Financing Activities		
Receipts of restricted contributions and grants	4,183	7,685
Principal payments on long-term debt	(201)	(143)
Net cash provided by financing activities	3,982	7,542
Net increase in cash and cash equivalents	-	-
Cash and Cash Equivalents — Beginning of year	-	-
Cash and Cash Equivalents — End of year	$ -	$ -
Supplemental Disclosures of Noncash Investing Activities		
Addition to net property and equipment funded through accounts payable — trade	$ 71	$ 154
Reduction of loan to APMG via grant	731	-
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for interest	$ 1,090	$ 1,322

See Notes to Consolidated Financial Statements.

Note 1. Nature of Business and Organization

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 perspectives 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 and FTC may be referred to together as "the Organization."

American Public Media Group (APMG) is the not-for-profit parent support organization of MPR|APM, Southern California Public Radio (SCPR) and Classical South Florida (CSF). APMG's primary purpose is to provide financial and management support services to MPR|APM, FTC, CSF 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 CSF and SCPR Boards of Trustees. APMG also owns all of the stock of Greenspring Company (Greenspring), a for-profit holding company. Greenspring has one wholly owned for-profit subsidiary, Greenspring Media Group (GMG), which is engaged in publishing activities and producing consumer shows and events.

Note 2. Summary of Significant Accounting Policies

The Organization maintains 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.

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

Designated Fund: To account for funds intended to ensure the long-term financial health of the Organization. The MPR|APM Designated Fund also receives grants 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. All intercompany accounts and transactions have been eliminated upon consolidation.

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

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

Note 2. Summary of Significant Accounting Policies (Continued)

Temporarily restricted: This classification includes net assets subject to donor-imposed restrictions that permit the Organization to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the Organization. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. For example, underwriting support is released as related on-air spots are broadcast.

Temporarily restricted net assets at June 30, 2008 and 2007, were restricted for the following purposes:

	2008	2007
Program support and underwriting	$ 17,888,000	$ 14,471,000
Capital campaign	2,197,000	4,740,000
Total	$ 20,085,000	$ 19,211,000

Temporarily restricted funds released from donor-imposed restrictions for the years ended June 30, 2008 and 2007, consist of the following:

	2008	2007
Individual gifts and membership	$ 1,280,000	$ 736,000
Regional underwriting	9,629,000	7,667,000
National underwriting	11,384,000	8,763,000
Business general support	415,000	90,000
Foundations	4,165,000	4,078,000
CPB grants	7,060,000	6,123,000
Grants from other governmental agencies	1,486,000	1,142,000
Other earned revenue	-	21,000
Capital campaign	1,245,000	2,891,000
Total	$ 36,664,000	$ 31,511,000

Permanently restricted: This classification includes net assets subject to donor-imposed restrictions that stipulate the resources be maintained permanently, but permit the Organization to use or expend the income derived from the donated assets for specified or unspecified purposes. 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, 2008 and 2007, represent endowment funds held by external parties.

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

Note 2. Summary of Significant Accounting Policies (Continued)

Summarized financial information for the year ended June 30, 2007: 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, 2007, from which the summarized information was derived, available at www.mpr.org. As discussed in Note 12, the 2007 financial statements have been restated to properly reflect the amortization of broadcast licenses in accordance with GAAP. Certain amounts in the prior-year summarized comparative information have been reclassified to be consistent with the presentation in the current-year financial statements. These reclassifications had no impact on changes in net assets as previously presented.

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 restrictions 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.

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 the intellectual property is made available for use.

Barter transactions: The Organization exchanges on-air and Web underwriting for certain goods and services. Underwriting revenue is recognized at fair value when the spots run. Barter expense is recorded when the goods or services are used or received. During the years ended June 30, 2008 and 2007, barter revenues of approximately $1,599,000 and $1,255,000, respectively, and barter expenses of approximately $1,513,000 and $1,208,000, respectively, are reflected in the consolidated statements of activities.

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

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

Note 2. Summary of Significant Accounting Policies (Continued)

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: Trade accounts receivable consist primarily of individual gifts, membership, and underwriting contributions. Contributions, which include unconditional promises to give, are recorded as revenues in the period received. Unconditional promises to give due in the next year are reflected as pledges receivable and are recorded at their net realizable value. Trade accounts receivable, pledges receivable, and grants receivable due in subsequent years are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received. Present value discounts were $130,000 and $340,000 at June 30, 2008 and 2007, respectively. Amortization of the discount is included in contribution revenues. Conditional promises to give are not included as support until such time as the conditions are substantially met. Pledges receivable from various corporations, foundations and individuals were discounted between 2.88 percent and 5.13 percent at June 30, 2008.

The Organization estimates an allowance for doubtful accounts based on a review of outstanding accounts as well as considering historical experience. Accounts receivable — trade and pledges receivable — capital campaign are presented net of allowances for doubtful accounts of $867,000 and $814,000 at June 30, 2008 and 2007, respectively, to provide for estimated bad debts.

At June 30, 2008, accounts receivable — trade, pledges receivable — capital campaign, and grants receivable were due as follows:

	Temporary Restricted	Unrestricted	Total
In less than one year	$ 12,059,000	$ 10,644,000	$ 22,703,000
In one to five years	1,126,000	707,000	1,833,000
In greater than five years	-	8,000	8,000
Total	$ 13,185,000	$ 11,359,000	$ 24,544,000

Note 2. Summary of Significant Accounting Policies (Continued)

Accounts receivable — trade, pledges receivable — capital campaign, and grants receivable are recorded on the consolidated statement of financial position for the year ended June 30, 2008, as follows:

Current:	
Accounts receivable — trade	$ 16,245,000
Pledges receivable — capital campaign	2,307,000
Grants receivable	4,151,000
Noncurrent:	
Accounts receivable — trade	510,000
Pledges receivable — capital campaign	704,000
Grants receivable	627,000
Total	$ 24,544,000

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

Investments, including interest in investment pool: Investments are carried at fair value based on quoted market prices. Cash equivalents and money market funds that the Organization intends to utilize for long-term projects are recorded as long-term assets.

Endowment funds held by others: 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 percent of the fair market value of the Trust as of the end of the preceding year. Okabena Company manages the assets of the Trust. The beneficial interest in the perpetual trust is recorded at market value, which approximates the present value of the expected future cash flows. The market value of the trust was $3,088,000 and $3,228,000 at June 30, 2008 and 2007, respectively.

The Organization also has a beneficial interest in an endowment fund (the Fund) at the Minnesota Community Foundation (the Foundation). Under the terms of the agreement establishing the Fund, the Organization receives a minimum annual distribution of 6 percent (5 percent subsequent to June 30, 2008) of the 16-quarter moving average market value of the Fund's assets. The Fund is managed at the discretion of the Foundation, except that MPR|APM may direct the Foundation to replace any investment manager if the Fund does not produce a reasonable return. The beneficial interest in the Fund is recorded at market value, which approximates the present value of the expected future cash flows. The market value of the Fund was $20,220,000 and $21,651,000 at June 30, 2008 and 2007, respectively.

Net property and equipment: Net property and equipment are recorded at cost, and depreciation is computed on the straight-line method over the estimated useful lives of the related assets as follows:

	Years
Building	32 – 40
Equipment	3 – 20

Note 2. Summary of Significant Accounting Policies (Continued)

Leasehold improvements are amortized over the shorter of the lease term or 40 years. Interest expense, net of investment earnings on amounts externally restricted to fund capital projects, is capitalized as a component of construction in progress. No interest was capitalized in 2008 or 2007.

Interest rate swap: 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 payor on the swap, and Allied Irish Bank will be the floating-rate payor. The fixed rate of interest is 3.5 percent and the fixed-rate day count fraction is 30/360. The floating rate is 70 percent 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, 2008 and 2007, MPR|APM paid interest expense of $71,000 and $-0-, respectively, and received interest income of $12,000 and $28,000, respectively, toward 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 exposes MPR|APM to credit risk loss in the event of nonperformance by the counterparty of the agreement. As of June 30, 2008 and 2007, the outstanding fair value of the agreement was $(253,000), reported in long-term liabilities, and $243,000, reported in investments, respectively. The change in the fair value of the agreement is included in investment return, net, on the consolidated statement of activities.

Debt issuance cost: Debt issuance cost includes capitalized bond issue costs, which are recorded at historical cost and expensed over the life of the bonds using a method that approximates the effective-interest method.

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

Impairment of broadcast licenses not subject to amortization: Broadcast licenses are considered indefinite-lived intangibles and are tested annually for impairment or more frequently if an event occurs or circumstances change that would indicate an impairment in accordance with Financial Accounting Standards Board (FASB) Statement No. 142, *Goodwill and Other Intangible Assets*. During 2008 and 2007, the Organization did not record any impairments.

Impairment of intangible assets subject to amortization and other long-lived assets: Other long-lived assets, such as property and equipment and finite-life intangible assets, are evaluated for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable in accordance with FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets.* In evaluating recoverability, the following factors, among others, are considered: a significant change in the circumstances used to determine the amortization period, an adverse change in legal factors or in the business climate, a transition to a new product or service strategy, a significant change in customer base and a realization of failed marketing efforts. The recoverability of an asset is measured by a comparison of the unamortized balance of the asset to future undiscounted cash flows.

Note 2. Summary of Significant Accounting Policies (Continued)

If the unamortized balance were believed to be unrecoverable, the Organization would recognize an impairment charge necessary to reduce the unamortized balance to the amount of future discounted cash flows expected. The amount of such impairment would be charged to operations in the current period. The Company has not identified any indicators of impairment associated with its long-lived assets.

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

Capital campaign and related expenses: Capital campaign and related expenses include fundraising and administrative costs directly attributable to the capital campaign to renovate and expand MPR|APM's Saint Paul broadcast facilities.

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 percent share is recorded as minority interest in joint venture.

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

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.

The Organization is engaged in certain activities that result in unrelated business income. For the years ended June 30, 2008 and 2007, MPR|APM recorded an estimated tax expense included in administration expenses that amounted to $78,000 and $10,000 respectively.

Note 2. Summary of Significant Accounting Policies (Continued)

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying consolidated statement of financial position, along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

Interest and penalties associated with unrecognized tax benefits are classified as additional income taxes in the consolidated statement of activities.

The Organization files income tax returns in the U.S. federal jurisdiction and various states. As of June 30, 2008, and for the year then ended, there are no material unrecognized/derecognized tax benefits or tax penalties or interest. With few exceptions, the Organization is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before the year ended June 30, 2005.

Fair value of financial instruments: The carrying values of cash and cash equivalents and trade, pledges and grants receivable are reasonable estimates of their fair values 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 obligations approximates their carrying value based on current rates for obligations with similar remaining maturities offered to similar not-for-profit organizations.

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, 2008 and 2007.

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.

Use of estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2. Summary of Significant Accounting Policies (Continued)

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.* The Organization adopted FIN No. 48 for the year ended June 30, 2008, with no impact on the 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 ending June 30, 2009. The Organization is currently evaluating the impact of this standard 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 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 report, on the face 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 measurement attribute. FASB Statement No. 159 is effective for the Organization for the year ending June 30, 2009. The adjustment to reflect the difference between the fair value and the carrying amount would be accounted for as a cumulative-effect adjustment to net assets as of the initial date of the adoption. The Organization is currently evaluating the impact of this standard on the consolidated financial statements.

Risks and uncertainties: The Organization's investments include an interest in the investment pool. The investment pool invests in various securities, including commercial paper, government-sponsored enterprises, and corporate certificates of deposit and notes. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Subsequent to year-end, the credit and liquidity crisis in the United States and throughout the global financial system resulted in substantial volatility in financial markets and the banking system. This and other economic events had a significant adverse impact on investment portfolios. 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 consolidated statements of financial position and activities.

Note 3. Investments

MPR|APM's investments and interest in investment pool held and their allocation of the investments held at APMG at June 30, 2008 and 2007, were as follows:

	2008	2007
Investments:		
MPR|APM Board-Designated Fund	$ 6,524,000	$ 7,185,000
MPR|APM capital campaigns	13,767,000	4,083,000
MPR|APM investments limited to use	-	278,000
MPR|APM major item replacement reserves	302,000	1,044,000
MPR|APM interest rate swap	-	243,000
MPR|APM operating fund	191,000	185,000
MPR|APM charitable gift annuities	88,000	99,000
Total	$ 20,872,000	$ 13,117,000

Investments at June 30, 2008 and 2007, consisted of the following:

	2008	2007
Interest in investment pool	$ 20,567,000	$ 12,262,000
Corporate debt security funds	33,000	29,000
Corporate equity security funds	255,000	269,000
Cash equivalents/money market	17,000	314,000
Interest rate swap	-	243,000
Total	$ 20,872,000	$ 13,117,000

Net investment return for the years ended June 30, 2008 and 2007, consisted of the following:

	2008	2007
Net investment return:		
Interest income	$ 513,000	$ 848,000
Realized gains (losses)	8,000	(215,000)
Unrealized gains (losses)	(21,000)	275,000
Change in value of interest rate swap	(496,000)	(79,000)
Endowment funds held by others	(696,000)	3,309,000
Total	$ (692,000)	$ 4,138,000

Investments held are to support the long-term needs of the Organization. MPR|APM's interest in investment pool was $20,567,000 and $12,262,000 at June 30, 2008 and 2007, respectively. The investment pool consists of fixed-income securities (government-sponsored enterprises, and corporate certificates of deposit and notes), cash and cash equivalents (money market fund and investment in government-sponsored enterprises and commercial paper with original maturities of three months or less) held by APMG. The funds held by APMG represent actual funds on hand at APMG and are available to MPR|APM at any time. Investment return is allocated to MPR|APM on a monthly basis based upon the average investment balances.

Note 3. Investments (Continued)

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 any restricted funds are classified accordingly.

Funds from the MPR|APM capital campaigns are intended for the general purposes of the Organization, including the renovation and expansion of the Organization's Saint Paul facilities, content initiatives, and other broadcasting infrastructure. Unrestricted funds are accounted for in the Property Fund, and restricted funds are classified accordingly.

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.

Note 4. Net Property and Equipment

Net property and equipment at June 30, 2008 and 2007, consisted of the following:

	2008	2007
Cost:		
Land	$ 8,730,000	$ 8,730,000
Building and leasehold improvements	46,337,000	46,105,000
Equipment	33,822,000	37,812,000
Construction in progress	2,021,000	587,000
Total cost	90,910,000	93,234,000
Less accumulated depreciation and amortization	35,124,000	37,044,000
Total	$ 55,786,000	$ 56,190,000

Total depreciation expense and amortization of leasehold improvements recorded in the Property Fund was $5,061,000 and $4,519,000 for the years ended June 30, 2008 and 2007, respectively.

Construction in progress: Construction in progress at June 30, 2008, represents costs incurred in connection with acquisition and implementation of media infrastructure projects.

Note 5. Broadcast Licenses and Other Intangibles

Broadcast licenses and other intangibles at June 30, 2008 and 2007, consisted of the following:

	Weighted-Average Remaining Life in Years	2008	2007
Intangibles subject to amortization (primarily program rights)	5	$ 2,797,000	$ 2,797,000
Less accumulated amortization		1,421,000	1,138,000
		1,376,000	1,659,000
Broadcast licenses (not subject to amortization)		18,123,000	18,123,000
Total		$ 19,499,000	$ 19,782,000

Total amortization expense charged to operations was $283,000 for both years ended June 30, 2008 and 2007, and is recorded in financial and other on the consolidated statement of functional expenses.

Note 6. Long-Term Obligations

Long-term obligations at June 30, 2008 and 2007, consisted of the following:

	2008	2007
$11,500,000 variable-rate, Port Authority of the City of Saint Paul Demand Revenue Bonds (Minnesota Public Radio Project) — Series 2005-7, with interest due monthly (2.40% and 3.91% as of June 30, 2008 and 2007, respectively), maturing May 1, 2025; secured by an irrevocable letter of credit of $11,641,781, which expires on October 18, 2010	$ 11,500,000	$ 11,500,000
$10,000,000 variable-rate, Housing and Redevelopment Authority of the City of Saint Paul Demand Revenue Bonds (Minnesota Public Radio Project) — Series 2005, with interest due monthly (2.40% and 3.91% as of June 30, 2008 and 2007, respectively), maturing May 1, 2025; secured by an irrevocable letter of credit of $10,123,288, which expires on June 16, 2010	10,000,000	10,000,000
$10,000,000 variable-rate, Housing and Redevelopment Authority of the City of Saint Paul Demand Revenue Bonds (Minnesota Public Radio Project) — Series 2002, with interest due monthly (2.43% and 3.96% as of June 30, 2008 and 2007, respectively), maturing May 1, 2022; secured by an irrevocable letter of credit of $10,123,288, which expires on May 23, 2010	9,655,000	9,655,000

Note 6. Long-Term Obligations (Continued)

	2008	2007
$3,550,000 note payable to the Housing and Redevelopment Authority of the City of Saint Paul, bearing interest at 6.5% and maturing March 13, 2017. Accrued interest and principal of $378,000 per annum can be forgiven provided MPR|APM meets certain employment commitments.	2,501,000	2,706,000
$218,000 note payable to the Saint Paul Foundation, with payments due at such time that operating savings from district heating systems are realized. Interest at 6% will accrue when savings are realized, and payments of 75% of such operating savings will be payable, first to repay accrued interest and then principal.	218,000	218,000
$1,750,000 payable to Public Radio International (PRI), payable in 28 quarterly installments of $62,500 through June 30, 2012; interest imputed at 3.625%	927,000	1,144,000
Charitable gift annuities payable	70,000	54,000
Total long-term obligations	34,871,000	35,277,000
Less amounts due within one year	1,688,000	1,392,000
Long-term portion	$ 33,183,000	$ 33,885,000

Interest on the Series 2005–7, 2005 and 2002 bonds (the Bonds) is based on a daily remarketing process; however, the rate is not to exceed 10 percent. 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. The Bonds can be called on certain dates by the bondholders. The remarketing agreements provide for a "best efforts" remarketing of the Bonds. If the letters of credit are drawn on to pay for bonds that are not remarketed, such amounts are due upon the earlier of 366 days following the date upon which the letters of credit are drawn upon or the expiration of the letter of credit. The Bonds are also secured by the guarantee provided to the trustee by APMG. In addition to certain nonfinancial covenants, MPR|APM is required to maintain a debt service ratio of no less than 1.25-to-1.0.

In the event MPR|APM is unsuccessful in renewing the letters of credit, the following is a summary of the annual maturities of the long-term obligations, based upon the stated terms of the Bonds and letters of credit at June 30, 2008:

Years ending June 30:	
2009	$ 1,688,000
2010	19,785,000
2011	11,079,000
2012	513,000
2013	286,000
Thereafter	1,520,000
Total	$ 34,871,000

Note 6. Long-Term Obligations (Continued)

It is management's intention to renew the letters of credit. A summary of the annual maturities of the long-term obligations, assuming renewals of the letters of credit, is as follows:

Years ending June 30:		
2009	$	1,688,000
2010		1,760,000
2011		1,839,000
2012		1,923,000
2013		1,751,000
Thereafter		25,910,000
Total	$	34,871,000

The Organization incurred $1,090,000 and $1,322,000 of interest expense during the years ended June 30, 2008 and 2007, respectively.

Note 7. Leases

The Organization leases office, studio and transmission facilities under noncancelable operating leases. Total rent expense for all operating leases, including month-to-month leases and one-time rentals, was $1,249,000 and $1,241,000 for the years ended June 30, 2008 and 2007, 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, 2008, are as follows:

Years ending June 30:		
2009	$	886,000
2010		783,000
2011		366,000
2012		273,000
2013		227,000
Thereafter		419,000
Total	$	2,954,000

Note 8. Commitments and Contingencies

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.

Note 9. Retirement Plan

The Organization's 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 percent by the respective employer up to 7.5 percent 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 $1,563,000 and $1,435,000 for the years ended June 30, 2008 and 2007, respectively.

Note 10. Affiliated and Related-Party Organizations

The Organization is charged by APMG for its estimated share of various administrative services and costs incurred on its behalf. For the years ended June 30, 2008 and 2007, these charges totaled $3,159,000 and $3,271,000, respectively, and are included in administrative expenses.

For the years ended June 30, 2008 and 2007, MPR|APM charged SCPR $205,000 and $196,000, respectively, for providing various operational services and facilities costs. These are reflected in other earned revenue for MPR|APM.

CSF paid MPR|APM $357,000 for personnel costs incurred on its behalf related to startup, programming and operations for the station during the year ended June 30, 2008. These payments 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 contributing members of Minnesota Public Radio. Included in fundraising expense is $591,000 and $634,000 charged under this arrangement for the years ended June 30, 2008 and 2007, respectively.

Under an agreement with MPR|APM, GMG produces a consumer show on MPR|APM's behalf. In addition to direct expense reimbursement, GMG was paid a production fee, recorded in operations, of $143,000 and $221,000 for the years ended June 30, 2008 and 2007, 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 quasi-endowment for the benefit of MPR|APM (the Earned Endowment). The investment policy adopted by the APMG Board of Trustees includes a spending policy designating an annual distribution of 4.5 percent to 5.0 percent of the five-year average market value of the Earned Endowment. APMG granted $5,763,000 and $3,796,000 for the years ended June 30, 2008 and 2007, respectively, to MPR|APM from the Earned Endowment. Under the terms of the Earned Endowment, APMG maintains variance power over the Earned Endowment. As a result, the Earned Endowment is an asset of APMG, and MPR|APM recognizes grants from APMG when received. At June 30, 2008, the market value of the Earned Endowment held by APMG was $111,811,000.

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 2008 and 2007, APMG agreed to provide grants of $4,520,000 and $2,024,000, 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.

The MPR|APM Board of Trustees approved a note in the amount of $24,168,000 to APMG. The note, which bears interest at 4.15 percent, is to be repaid over a period of 30 years. During the year ended June 30, 2008, $731,000 due to be repaid on the note was forgiven by a grant to APMG.

Note 11. Educational Broadband Service (EBS) Frequencies Contracts

During the year ended June 30, 2008, the Organization entered into contracts with Nextel Spectrum Acquisition Corporation (Sprint Nextel) and Clearwire Corporation (Clearwire), in accordance with Federal Communications Commission (FCC) rules, to lease excess capacity on its EBS frequencies. Under the terms of the contracts, MPR|APM will remain the licensee on the EBS frequencies and will have responsibility for compliance with all educational and other requirements imposed by the FCC. The contracts further provided that total lease payments of $25,000,000 be paid at the inception of the agreements. The contracts provide for initial lease periods of 15 years with the option to renew the agreements for an additional 15 years. The agreements both contain acquisition rights subject to FCC rules. The total revenue from these contracts of $25,000,000, less $831,000 of costs incurred to execute the agreements, is being recognized over the 30-year lease terms on a straight-line basis. During the year ended June 30, 2008, $731,000 was recognized as licensing fees in the consolidated statement of activities.

Note 12. Retroactive Change in the Method of Amortizing Broadcast Licenses

In prior years, MPR|APM amortized broadcast licenses over a period of 40 years. Upon the adoption of Financial Accounting Standards Board Statement No. 142, *Goodwill and Other Intangible Assets,* effective July 1, 2002, this method was not in accordance with accounting principles generally accepted in the United States of America (GAAP), which requires that these intangibles have indefinite lives.

The consolidated financial statements for the year ended June 30, 2007, have been retroactively restated to properly reflect these intangible assets, and the portion of the adjustment applicable to the year ended June 30, 2006, and prior years in the amount of $1,465,000 has been treated as a retroactive restatement of the June 30, 2006, unrestricted net assets balance. This change had the effect of decreasing operations expense by $526,000 for the year ended June 30, 2007, as compared to the amounts previously reported. The impact on net assets is as follows:

	2007
Net asset balance, beginning, as previously reported	$ 105,920,000
Add adjustment applicable to prior years resulting from the retroactive change to correct the amortization of broadcast licenses	1,465,000
Net asset balance, beginning, as restated	$ 107,385,000

	2007
Change in net assets for the year ended June 30, 2007, as previously reported	$ 1,816,000
Add adjustment to eliminate amortization of broadcast licenses	526,000
Change in net assets for the year ended June 30, 2007	$ 2,342,000