American Public Media Group and Affiliates

Consolidated Financial Report
June 30, 2010

McGladrey & Pullen, LLP
Certified Public Accountants

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Independent Auditor's Report

To the Board of Trustees
American Public Media Group and Affiliates

We have audited the accompanying consolidated statement of financial position of American Public Media Group and Affiliates (the Organization) as of June 30, 2010, and the related consolidated statements of activities 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 was derived from the Organization's 2009 consolidated financial statements and, in our report dated October 16, 2009, 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 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2010, and the results of their activities and their 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 supplemental information by entity and by fund on pages 25 through 27 is presented for the purpose of additional analysis of the basic consolidated financial statements rather than to present information regarding the financial position and the results of operations of the individual entities and funds and is not a required part of the basic consolidated financial statements. This additional information by entity and by fund is the responsibility of the Organization's management. Such information has been subjected to the auditing procedures applied in our audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic consolidated financial statements taken as a whole.

McGladrey & Pullen, LLP

Minneapolis, Minnesota
October 21, 2010

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American Public Media Group and Affiliates

Consolidated Statement of Activities
Year Ended June 30, 2010, with Comparative Totals for the Year Ended June 30, 2009
(In Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Consolidated Totals 2010	Consolidated Totals 2009
Support from public:					
Individual gifts and membership	$ 23,744	$ 2,916	$ 25	**$ 26,685**	$ 22,791
Individual gifts and membership released from restriction	1,563	(1,563)	-	**-**	-
Regional underwriting	254	14,900	-	**15,154**	13,442
Regional underwriting released from restriction	14,400	(14,400)	-	**-**	-
National underwriting	41	9,864	-	**9,905**	7,613
National underwriting released from restriction	9,790	(9,790)	-	**-**	-
Business general support	428	380	-	**808**	947
Business general support released from restriction	663	(663)	-	**-**	-
Foundations	325	5,207	-	**5,532**	6,751
Foundations released from restriction	6,614	(6,614)	-	**-**	-
Educational sponsors	426	-	-	**426**	483
Other public support	301	149	-	**450**	315
Total support from public	58,549	386	25	**58,960**	52,342
Support from governmental agencies:					
Corporation for Public Broadcasting	522	5,703	-	**6,225**	4,478
Corporation for Public Broadcasting released from restriction	5,732	(5,732)	-	**-**	-
Grants from other governmental agencies	381	714	-	**1,095**	3,713
Grants from other governmental agencies released from restriction	1,737	(1,737)	-	**-**	-
Total support from governmental agencies	8,372	(1,052)	-	**7,320**	8,191
Earned revenue:					
Revenue from broadcasting activities	16,471	-	-	**16,471**	17,447
Royalties and licensing fees	1,412	-	-	**1,412**	1,342
Investment return, net (Note 5)	10,509	852	118	**11,479**	(26,750)
Product sales and other earned revenue	11,871	-	-	**11,871**	11,473
Total earned revenue	40,263	852	118	**41,233**	3,512
Total support and earned revenue	107,184	186	143	**107,513**	64,045
Expenses:					
Cost of goods sold	3,670	-	-	**3,670**	3,393
Operations	76,803	-	-	**76,803**	76,325
Selling, general and administrative	11,522	-	-	**11,522**	13,487
Fundraising	12,294	-	-	**12,294**	11,398
Total expenses	104,289	-	-	**104,289**	104,603
Support and earned revenue in excess of expenses before other changes in net assets	2,895	186	143	**3,224**	(40,558)
Capital campaign:					
Public support	(114)	8,326	-	**8,212**	3,427
Support released from restriction	13,152	(13,152)	-	**-**	-
Campaign and related expenses	(1,024)	-	-	**(1,024)**	(1,144)
Change in net assets	14,909	(4,640)	143	**10,412**	(38,275)
Net assets — beginning of year	158,866	32,187	12,059	**203,112**	241,387
Net assets — end of year	$ 173,775	$ 27,547	$ 12,202	**$ 213,524**	$ 203,112

See Notes to Consolidated Financial Statements.

American Public Media Group and Affiliates

Consolidated Statement of Financial Position
June 30, 2010, with Comparative Totals as of June 30, 2009
(In Thousands)

Assets	2010	2009
Current Assets		
Cash and cash equivalents	$ 9,890	$ 5,397
Trade receivable, net	17,885	16,025
Pledges receivable — capital campaign	2,409	1,918
Grants receivable	7,674	5,004
Other	3,651	4,454
Total current assets	41,509	32,798
Property and Equipment, net (Note 7)	71,392	67,012
Other Assets		
Investments (Notes 3 and 5)	131,298	141,815
Investments limited to use (Notes 3 and 5)	861	2,873
Endowment funds held by others and benefical interest in trust (Notes 2 and 3)	19,648	18,274
Trade receivable, net (Note 4)	420	140
Pledges receivable — capital campaign, net (Note 4)	3,933	1,023
Grants receivable, net (Note 4)	2,106	3,646
Deferred income taxes	129	142
Broadcast licenses not subject to amortization (Note 8)	39,520	39,520
Intangible assets subject to amortization, net (Note 8)	949	1,281
Other assets	1,040	984
Total other assets	199,904	209,698
Total assets	$ 312,805	$ 309,508
Liabilities and Net Assets		
Current Liabilities		
Accounts payable — trade	$ 3,105	$ 4,403
Optional redemption of long-term obligations (Note 9)	3,000	-
Current portion of long-term obligations (Note 9)	2,438	2,050
Accrued liabilities	7,952	7,268
Refundable advance	250	344
Deferred revenue (Note 14)	1,195	1,121
Total current liabilities	17,940	15,186
Other Liabilities		
Long-term obligations, less current portion (Note 9)	58,224	68,573
Interest rate swap (Notes 2 and 3)	2,097	811
Deferred revenue, less current portion (Note 14)	21,020	21,826
Total liabilities	99,281	106,396
Commitments and Contingencies (Notes 9,10,11,12 and 13)		
Net Assets		
Unrestricted	173,775	158,866
Temporarily restricted	27,547	32,187
Permanently restricted	12,202	12,059
Total net assets	213,524	203,112
Total liabilities and net assets	$ 312,805	$ 309,508

See Notes to Consolidated Financial Statements.

American Public Media Group and Affiliates

Consolidated Statement of Cash Flows
Year Ended June 30, 2010, with Comparative Totals for the Year Ended June 30, 2009
(In Thousands)

	2010	2009
Cash Flows From Operating Activities		
Change in net assets	$ 10,412	$ (38,275)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	6,249	5,912
Unrealized (gain) loss on investments	(15,269)	27,285
(Increase) decrease in endowment funds held by others and beneficial interest in trust	(1,374)	5,141
Loss on disposal of property and equipment	612	-
Restricted contributions and grants	(8,899)	(2,691)
Loan forgiveness — City of Saint Paul	(232)	(218)
Deferred income taxes	13	50
(Increase) decrease in assets:		
Trade and pledges receivable	(2,142)	6,719
Grants receivable	(1,130)	(3,670)
Other assets	704	(690)
(Decrease) increase in liabilities:		
Trade payable and accrued liabilities	1,031	(812)
Refundable advance	(94)	344
Deferred revenue	(733)	(809)
Total adjustments	(21,264)	36,561
Net cash used in operating activities	(10,852)	(1,714)
Cash Flows From Investing Activities		
Purchase of property and equipment	(12,424)	(6,548)
Purchases of investments	(822,535)	(655,678)
Proceeds from sale of equipment	-	10
Proceeds from sales and maturities of investments	851,620	641,240
Proceeds from sale of intangibles	-	5
Purchases of intangibles	-	(1,151)
Net cash provided by (used in) investing activities	16,661	(22,122)
Cash Flows From Financing Activities		
Borrowing on long-term debt	-	22,300
Principal payments on long-term obligations	(6,815)	(1,461)
Debt issue costs	-	(352)
Restricted contributions and grants	5,499	3,997
Net cash provided by (used in) financing activities	(1,316)	24,484
Net increase in cash and cash equivalents	4,493	648
Cash and Cash Equivalents — beginning of year	5,397	4,749
Cash and Cash Equivalents — end of year	$ 9,890	$ 5,397
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for interest	$ 804	$ 1,210
Supplemental Disclosures of Noncash Investing Activities		
Additions to net property, plant and equipment funded through trade payable	$ 91	$ 1,652

See Notes to Consolidated Financial Statements.

Note 1. Nature of Business

American Public Media Group (APMG) is a not-for-profit parent support organization whose primary purpose is to provide financial and management support services to its affiliated organizations, including Minnesota Public Radio and affiliate (MPR), Southern California Public Radio (SCPR), Classical South Florida (CSF) and Greenspring Company and Affiliate (Greenspring). APMG and its affiliates (the Organization) are engaged in various public radio, theater rental, consumer show, events and publishing activities. APMG also operates the Pretty Good Goods catalog, by which APMG sells program-related and psychographically related goods to consumers.

APMG has the ability to elect or approve the election of a majority of the MPR Board of Trustees and all of the SCPR and CSF Boards of Trustees. MPR, in turn, is the not-for-profit parent organization of The Fitzgerald Theater Company (FTC) and has the ability to elect FTC's Board of Trustees. MPR 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."

APMG owns all of the stock of Greenspring Company (Greenspring), a for-profit holding company. Greenspring has a wholly owned, for-profit subsidiary, Greenspring Media Group (GMG), which engages principally in publishing activities and hosting consumer shows and events.

Collectively, MPR, FTC, SCPR, CSF, Greenspring and GMG are referred to as the affiliated organizations or affiliates.

On September 24, 2007, APMG entered into an asset purchase agreement with Trinity International University (Trinity) to acquire WMCU 89.7 FM serving Southern Florida's Miami-Dade and Broward counties and W270AD, an FM translator station in West Palm Beach (together, the station), for $20,000,000 subject to the approval of the Federal Communications Commission (FCC). Also on September 24, 2007, APMG entered into an affiliation agreement with Trinity to provide classical music programming to the station until the FCC approved the asset purchase agreement. On November 13, 2007, APMG created CSF to fulfill its programming, operational and financial responsibilities under both agreements with Trinity. On March 14, 2008, upon preliminary approval from the FCC, the station, including the FCC licenses and certain broadcasting equipment, was sold to APMG based on the terms of the September 24, 2007, asset purchase agreement. Final FCC approval is pending. Subsequently, CSF entered into a Public Service Operating Agreement (PSOA) with APMG, effective November 13, 2007, assuming responsibility for the day-to-day operations of the station, including maintaining APMG's good standing as the FCC licensee. Under the PSOA, APMG assigned certain broadcasting equipment for the station to CSF and retained certain other equipment to lease to CSF. CSF has the opportunity to solicit donations and underwriting for the station under the PSOA and agrees to pay for and utilize certain APMG shared services, such as management, human resources, finance, legal, fundraising, technical and programming services.

Note 2. Summary of Significant Accounting Policies

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.

Note 2. Summary of Significant Accounting Policies (Continued)

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 Board of Trustees has set aside for a particular purpose. APMG and its not-for-profit affiliates maintain the following unrestricted funds (see the APMG supplemental schedules):

Operating Fund: To account for general-purpose contributions, grants, and other revenues and to account for revenues and 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. This includes the Earned Endowment for MPR (a quasi-endowment fund), funds for future investments, and APMG's investment in Greenspring. Certain financial assets in the Designated Fund — unrestricted are available to the Operating Fund for cash flow needs.

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 or when endowment funds are appropriated, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restriction. For example, underwriting support is released as related on-air spots are broadcast.

Temporarily restricted net assets at June 30, 2010, were restricted for the following purposes:

Program support and underwriting	$ 19,861,000
Capital campaigns and capital projects	1,561,000
Unappropriated endowment funds held by others	6,125,000
Total	$ 27,547,000

Permanently restricted: This classification includes net assets subject to donor-imposed restrictions that stipulate the resources be maintained in perpetuity, but permit the Organization to use or expend the income derived from the donated assets for all operating purposes. These funds are included in endowment funds held by others. Changes in the fair value of endowment funds held by others are recorded as increases in temporarily restricted net assets until appropriated. Changes in the fair value of the beneficial interest in the trust are recorded as permanently restricted net assets. Distributions from the foundation or trust are reported as income of unrestricted net assets. Permanently restricted net assets at June 30, 2010, consist of the following:

Endowment funds held by others	$ 9,801,000
Beneficial interest in trust	2,401,000
Total	$ 12,202,000

Note 2. Summary of Significant Accounting Policies (Continued)

Codification: In June 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Code (ASC) 105, *Generally Accepted Accounting Principles,* which establishes the FASB Accounting Standards Codification as the source of authoritative generally accepted accounting principles (GAAP). Pursuant to the provisions of ASC 105, the Organization has updated references to GAAP in its consolidated financial statements issued for the year ended June 30, 2010. The adoption of ASC 105 did not impact the Organization's financial position or results of operations.

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

Summarized financial information for the year ended June 30, 2009: 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. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2009, from which the summarized information was derived. Certain amounts in the prior-year summarized comparative information were reclassified to be consistent with the presentation in the current-year financial statements. These classifications had no impact on changes in net assets as previously presented.

Revenue recognition:

Support from public and governmental agencies: Contributions, which include unconditional promises to give cash and other assets, are reported at fair value at the date the asset or 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 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 its intellectual property is made available for use.

Magazine advertising revenue: The Organization recognizes revenue from magazine display and classified advertising. Revenue is recognized as earned when the publication of the advertisement occurs, net of agency commissions.

Magazine subscriptions: The Organization recognizes revenue from magazine subscription sales of its for-profit subsidiary. Revenue is deferred and recognized over the subscription period.

Newsstand sales: The Organization recognizes revenue from newsstand sales of copies of magazines of its for-profit subsidiary. Revenue is recognized when copies are shipped, less an estimated amount of returns.

Note 2. Summary of Significant Accounting Policies (Continued)

Consumer shows and events: The Organization recognizes revenue from consumer shows and events of its for-profit subsidiary. Revenue is recognized as earned when the show or event is complete.

Barter transactions: The Organization provides on-air and Web underwriting spots for certain goods and services. Underwriting revenue is recognized at fair value and released from restriction when spots run. Barter expense is recorded when the goods or services are used or received. During the years ended June 30, 2010 and 2009, barter revenues of $3,781,000 and $3,433,000, respectively, and barter expense of $3,717,000 and $3,377,000, 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.

Cash and cash equivalents: Cash and cash equivalents represent cash on hand and cash invested in short-term instruments with original maturities of three months or less that are to be used to meet the Organization's current needs. The Organization maintains its cash in bank deposit accounts and money market funds that may at times exceed federally insured limits. The Organization has not experienced any losses on such accounts.

Investments: Investments are stated at fair value. As defined in ASC 820, *Fair Value Measurements and Disclosures*, fair value is the price that would be received to sell the asset or paid to transfer the liability (an exit price).

Endowment funds held by others: MPR has board-designated and donor-restricted endowment funds (the Fund) invested at the Minnesota Community Foundation (the Foundation). Under the terms of the agreement establishing the Fund, the Organization received a minimum annual distribution of 5.0 percent for each of the years ended June 30, 2010 and 2009, 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 may direct the Foundation to replace any investment manager if the Fund does not produce a reasonable return.

SCPR has endowment funds at the California Community Foundation (the Endowment). These include contributions subject to donor-imposed restrictions that stipulate the resources be maintained permanently. SCPR currently does not receive a draw from the Endowment; rather, SCPR has elected to reinvest all investment returns. As a result, no funds have been appropriated

Endowment funds held by others are stated at fair value. Because MPR and SCPR are unable to set the spending rates on these funds, the funds are not endowment funds as defined by Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA).

Beneficial interest in trust: The Oakleaf Endowment Trust for MPR (the Trust) was established by private donors on June 30, 1997, to maintain and enhance the quality of MPR. An annual distribution is made to MPR based on a formula specified in the Trust that is intended to ensure that payments to MPR from all of its permanent endowments do not exceed their earnings above inflation, but which may not be less than 1.0 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 trust is stated at fair value.

Note 2. Summary of Significant Accounting Policies (Continued)

Net property and equipment: 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

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.

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 ASC 350, *Intangibles — Goodwill and Other*. During 2010, the Organization did not record any impairments. Also see Note 8.

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 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.

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 Organization has not identified any indicators of impairment associated with its long-lived assets.

Other assets: Other assets include barter assets and debt issuance costs. Barter assets are initially recorded at fair market value and expensed as goods and services are used or received. Debt issuance costs include costs incurred in connection with the issuance of the variable-rate Demand Revenue Bonds: MPR Series 2002, MPR Series 2005, SCPR Series 2005, MPR Series 2005–7, SCPR Series 2007 and APMG Series 2008. Bond issue costs are recorded at historical cost and expensed over the life of the bonds using the straight-line method, which approximates the effective-interest method.

Cost of goods sold: Cost of goods sold includes product cost, production cost, postage, and fees paid to freelance writers and photographers.

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.

Note 2. Summary of Significant Accounting Policies (Continued)

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; selling, general and administrative; and fundraising functions. Expenses are charged directly to these functional areas where possible. Remaining expenses are allocated using the best available method.

Income tax status: APMG, MPR and SCPR are organized under Chapter 317 of Minnesota Statutes as not-for-profit organizations. CSF is incorporated as a not-for-profit corporation under Florida Statute Chapter 617. The Internal Revenue Service (IRS) has determined that APMG 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)(3) of the Code. The IRS has determined that MPR, SCPR and CSF are tax-exempt organizations under Section 501(c)(3) of the Code and are not private foundations, as they qualify under Section 509(a)(1) as organizations defined under Section 170(b)(1)(A)(vi) of the Code. The Minnesota Department of Revenue has determined that APMG, MPR and SCPR are exempt from Minnesota income taxes under Section 290.05 Subdivision 9 of Minnesota Statutes. The State of California Franchise Tax Board has determined that SCPR is exempt from California franchise or income taxes under Section 2370(1)(d) of the California Code. The Florida Department of State has determined CSF is exempt from state income tax under Florida Statute Section 220.13(2)(h).

Greenspring is a wholly owned for-profit subsidiary of APMG. The provision for income taxes was determined using the asset and liability approach of accounting for income taxes. Deferred tax assets and liabilities are recognized using enacted tax rates for expected future tax consequences of events recognized in the financial statements or tax returns. The provision for income taxes represents income taxes paid or payable for the current year plus the change in deferred taxes during the year. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

The Organization and its affiliates have adopted certain provisions of ASC 740, *Income Taxes*. The provisions clarify the accounting for uncertainty in income taxes recognized in an organization's financial statements and prescribe a recognition threshold and measurement standard for the financial statement recognition and measurement of an income tax position taken or expected to be taken in a tax return. 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, 2006. The Organization has reviewed its tax position for all open tax years and has concluded that the adoption of the provisions of ASC 740 did not have an impact on their financial statement position.

APMG and its not-for-profit affiliates are engaged in certain activities that result in unrelated business income. APMG and its not-for-profit affiliates incurred accrued tax expense of $62,000 and $113,000 for the years ended June 30, 2010 and 2009, respectively, which is included in selling, general and administrative expenses on the consolidated statements of activities.

Interest rate swaps: In March 2008, the FASB issued new provisions now included in ASC 815, *Derivatives and Hedging*. The provisions address the increased use and complexity of derivative instruments and hedging activities and require enhanced disclosures about an entity's derivative and hedging activities. The Organization adopted these provisions effective July 1, 2009, with no material effect to the consolidated financial statements. MPR and APMG make use of interest rate swaps to manage their overall interest rate exposure. Other than the interest rate swaps, the Organization has no other free-standing or embedded derivatives.

Note 2. Summary of Significant Accounting Policies (Continued)

On January 13, 2006, MPR 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 is the fixed-rate payor on the swap, and Allied Irish Bank is 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 70.0 percent of the London Interbank Offered Rate. MPR pays or receives a monthly settlement based on the difference between the fixed and floating rates. During the years ended June 30, 2010 and 2009, MPR paid interest expense of $331,000 and $248,000, respectively, and received no interest income toward the monthly swap settlement, which is shown as part of investment return, net on the consolidated statement of activities.

MPR reserves the right to terminate the swap agreement at any time at the then-current fair value. This may result in MPR making or receiving a termination payment. As of June 30, 2010 and 2009, the outstanding fair value of the agreement was $998,000 and $752,000, respectively, reported as a long-term liability. The change in the fair value of the agreement is included in investment return, net on the consolidated statement of activities.

In May 2009, APMG entered into a 10-year Amortizing Interest Rate Swap agreement with Piper Jaffray Financial Products, Inc., with an aggregate notional amount of $22,300,000. Under this agreement, APMG is the fixed-rate payor on the swap, and Piper Jaffray Financial Products, Inc. is the floating-rate payor. The fixed rate of interest is 2.6 percent and the fixed-rate day count fraction is 30/360. The floating rate is 70.0 percent of the three-month London Interbank Offered Rate. APMG pays or receives a monthly settlement based on the difference between the fixed and floating rates. During the years ended June 30, 2010 and 2009, APMG paid interest expense of $525,000 and $65,000, respectively, and received no interest income toward the monthly swap settlement, which is shown as part of investment return, net on the consolidated statement of activities.

As of June 30, 2010 and 2009, the outstanding fair value of the agreement was $1,099,000 and $59,000, respectively, reported as a long-term liability. The change in the fair value of the agreement is included in investment return, net on the consolidated statement of activities.

Use of estimates: The preparation of the consolidated 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 and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Risks and uncertainties: The Organization 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. 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.

Subsequent events: The Organization has considered subsequent events through October 21, 2010, the date of issuance, in preparing the consolidated financial statements and notes thereto.

Note 2. Summary of Significant Accounting Policies (Continued)

Unadopted accounting standards: Accounting Standards Codification 958, *Not-for-Profit Entities,* establishes principles and requirements for how a not-for-profit entity accounts for and discloses mergers and acquisitions. These provisions of ASC 958 are effective for mergers occurring on or after December 15, 2009, and acquisitions for which the acquisition date is on or after July 1, 2010.

Note 3. Fair Value Measurements

ASC 825, *Financial Instruments,* requires disclosure of fair value information about financial instruments, whether or not recognized in the statement of financial position, for which it is practicable to estimate that value. ASC 825 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements

The carrying values of cash and cash equivalents, trade, pledges and grants receivable, and trade accounts payable 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. 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.

In September 2009, the Financial Accounting Standards Board issued Accounting Standards Update 2009-12 to ASC 820-10-35, *Investments in Certain Entities that Calculate Net Asset Value Per Share (or its Equivalent)* (ASU 2009-12), which became effective for interim and annual periods ending after December 15, 2009. ASU 2009-12 permits a reporting entity to measure the fair value of an investment that does not have a readily determinable fair value, based on the net asset value (NAV) per share of the investment as a practical expedient, without further adjustment, unless it is probable that the investment will be sold at a value significantly different than the NAV. The Organization is using the NAV as fair value for alternative investments that do not have a readily determinable fair value.

ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value and expands the disclosures about fair value measurements.

Input levels as defined by ASC 820 are as follows:

Level 1: Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange.

Level 2: Financial assets and liabilities are valued using inputs such as quoted prices for similar assets, or inputs that are observable, either directly or indirectly.

Level 3: Financial assets and liabilities are valued using pricing inputs that are unobservable for the asset, or inputs that reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset.

The fair value measurement level within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Note 3. Fair Value Measurements (Continued)

Fair value of actively traded money market funds, mutual funds, fixed-income and equity securities is based on quoted market prices. Fair value of inactively traded fixed-income, certificates of deposit, commercial paper and money market funds is based on quoted market prices of identical or similar securities based on observable inputs like interest rates using a market valuation approach.

The Organization invests in private equity funds, which are not traded. The investment mix, which is very diverse, is at the direction of several fund managers and includes partnerships, venture capital, buyouts and others, utilizing various strategies. Such investments are valued at the net asset value of the Organization's ownership interest in the fund, as reported to the Organization quarterly by the fund managers. Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) as of June 30, 2010, include private equity funds that invest in domestic and international closed-end private equity limited partnerships, private placements in emerging growth companies and collective investment funds. These investments cannot be redeemed with the fund. Distributions are received as the underlying investments in the fund are liquidated. It is expected that the liquidation of the funds will take place over the next four to 14 years. As of June 30, 2010, the Organization has committed to invest an additional $7,894,000 in private equity funds. Management believes these methods provide a reasonable estimate of fair value.

The endowment funds held by others and the beneficial interest in trust are recorded at net asset value, which approximates the present value of the future payment stream the Organization will receive. The interest rate swap liability is recorded using ASC 820 criteria, which include mark-to-market valuations and nonperformance risk (i.e., credit risk).

Financial assets and liabilities measured at fair value on a recurring basis are as follows:

	June 30, 2010			
	Level 1	Level 2	Level 3	Total
Commercial paper	$ -	$ 5,210,000	$ -	$ 5,210,000
Certificates of deposit	-	-	-	-
Money market funds	4,699,000	29,000	-	4,728,000
Government-sponsored enterprises debt securities	-	10,009,000	-	10,009,000
Corporate certificates of deposit and notes	-	1,844,000	-	1,844,000
Equity mutual funds	96,216,000	-	-	96,216,000
Fixed-income mutual funds	1,560,000	-	-	1,560,000
Private equities	-	-	12,545,000	12,545,000
Endowment fund held by others	-	-	17,247,000	17,247,000
Beneficial interest in trust	-	-	2,401,000	2,401,000
Interest rate swap	-	-	(2,097,000)	(2,097,000)
Total	$ 102,475,000	$ 17,092,000	$ 30,096,000	$ 149,663,000

Note 3. Fair Value Measurements (Continued)

	June 30, 2009			
	Level 1	Level 2	Level 3	Total
Commercial paper	$ -	$ 299,000	$ -	$ 299,000
Certificates of deposit	-	5,246,000	-	5,246,000
Money market funds	18,400,000	7,623,000	-	26,023,000
Government-sponsored enterprises debt securities	-	15,388,000	-	15,388,000
Corporate certificates of deposit and notes	-	594,000	-	594,000
Equity mutual funds	83,926,000	-	-	83,926,000
Fixed-income mutual funds	1,457,000	-	-	1,457,000
Private equities	-	-	11,440,000	11,440,000
Endowment fund held by others	-	-	15,991,000	15,991,000
Beneficial interest in trust	-	-	2,283,000	2,283,000
Interest rate swap	-	-	(811,000)	(811,000)
Total	$ 103,783,000	$ 29,150,000	$ 28,903,000	$ 161,836,000

Changes in fair value measurements using Level 3 inputs for the year ended June 30, 2010, are as follows:

	Private Equities	Interest Rate Swap	Benefical Interest in Trust	Endowment Fund Held by Others	Total
Beginning investments at fair value	$ 11,440,000	$ (811,000)	$ 2,283,000	$ 15,991,000	$ 28,903,000
Purchase of investments	768,000	-	-	-	768,000
Sale of investments	(690,000)	-	-	-	(690,000)
Contributions to endowments	-	-	-	427,000	427,000
Distributions	-	-	(110,000)	(994,000)	(1,104,000)
Investment income, net of fees	(209,000)	-	-	-	(209,000)
Realized gains (losses)	681,000	-	-	-	681,000
Unrealized gains (losses)	555,000	-	-	-	555,000
Change in value	-	(1,286,000)	228,000	1,823,000	765,000
Ending investments at fair value	$ 12,545,000	$ (2,097,000)	$ 2,401,000	$ 17,247,000	$ 30,096,000

Unrealized gains of $555,000 is included in the consolidated statement of activities related to the investments held at June 30, 2010.

Note 4. Receivables

Receivables: Unconditional promises to give due in the next year are receivables and are reported at their net realizable value as current assets in the statement of financial position. Unconditional promises to give due in subsequent years are reflected as receivables and are reported at the present value of their net realizable value as other assets in the statement of financial position, using discount rates applicable to the years in which the promises are received. Present value discounts were $140,000 and $147,000 at June 30, 2010 and 2009, respectively. Amortization of the discount is reported on the support and earned revenue lines associated with the initial transaction within the statement of activities.

Note 4. Receivables (Continued)

At June 30, 2010, net trade, pledges receivable — capital campaign, and grants receivable were due as follows:

In less than one year	$ 27,968,000
In one to five years	5,696,000
In greater than five years	763,000
Total receivables	$ 34,427,000

Allowance for doubtful accounts: The Organization estimates an allowance for doubtful accounts based on a review of outstanding accounts as well as considering historical experience. Receivables are presented net of allowances for doubtful accounts of $1,706,000 and $1,345,000 at June 30, 2010 and 2009, respectively, to provide for estimated bad debts.

Pledge receivables: Pledge receivables consist of unconditional promises to give to finite special-purpose fundraising campaigns. This balance includes large, one-time gifts to such campaigns.

Grant receivables: Grant receivables are unconditional promises to give to support the general operating or capital needs of the Organization.

Conditional promises to give are not included as support until such time as the conditions are substantially met. At June 30, 2010 and 2009, the Organization had received conditional promises to give of $10,561,000 and $2,149,000, respectively, that were not recorded in the financial statements because the conditions had not been met. In addition, as of June 30, 2010, $250,000 received was conditional upon actions of the Organization and is reflected as refundable advances on the consolidated statement of financial position.

Note 5. Investments

At June 30, 2010 and 2009, the following types of investments were held:

	2010	2009
Cash	$ 42,000	$ 315,000
Commercial paper	5,210,000	299,000
Certificates of deposit	-	5,246,000
Money market funds	4,728,000	26,023,000
Government-sponsored enterprises debt securities	10,009,000	15,388,000
Corporate certificates of deposit and notes	1,844,000	594,000
Equity mutual funds	96,216,000	83,926,000
Fixed-income mutual funds	1,560,000	1,457,000
Cash value insurance policy	6,000	-
Private equities	12,544,000	11,440,000
Total	$ 132,159,000	$ 144,688,000

Note 5. Investments (Continued)

For the years ended June 30, 2010 and 2009, net investment return consisted of the following:

	2010	2009
Net investment return:		
Interest income	$ 2,405,000	$ 4,536,000
Realized gains (losses)	(8,247,000)	264,000
Unrealized gains (losses)	16,553,000	(26,726,000)
Change in value of interest rate swap	(1,284,000)	(558,000)
Change in endowment funds held by others	2,052,000	(4,266,000)
Total	$ 11,479,000	$ (26,750,000)

Investments are allocated for the following purposes as of June 30, 2010 and 2009:

	2010	2009
APMG Designated Fund	$ 105,662,000	$ 105,212,000
Reserve investments	7,055,000	4,746,000
CSF investment	50,000	-
Limited to use investments	861,000	2,873,000
Capital campaign investments	7,104,000	25,379,000
MPR Board-Designated Fund	11,353,000	6,406,000
MPR charitable gift annuities	74,000	72,000
Total	$ 132,159,000	$ 144,688,000

APMG makes grants to MPR from funds outside of the Earned Endowment, as designated by APMG's Board of Trustees, for the long-term benefit of MPR. During fiscal years 2010 and 2009, APMG provided grants of $-0- and $775,000, respectively, to MPR in support of new initiatives.

Reserves were established by the Organization for the purpose of replacing existing equipment or facilities and preserving the long-term health of the Organization.

Limited to use funds include the proceeds from the variable-rate Demand Revenue Bonds, which are held in a Construction Fund within each organization's respective Property Fund (see Note 9) and are available upon submitting qualified expenses related to the project.

Funds from the MPR and SCPR capital campaigns are intended for general purposes, including the construction of each organization's new building and other media infrastructure. Unrestricted funds are accounted for in the Property Fund, and restricted funds are classified accordingly.

MPR's Board-Designated Fund was established by MPR's 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. The principal of this fund is available for the purpose for which this fund was established upon the approval of MPR's Board of Trustees. Cash balances in this fund are available for cash flow needs. Unrestricted funds are accounted for in MPR's Designated Fund, and restricted funds are classified accordingly.

Note 5. Investments (Continued)

MPR's charitable gift annuities are split-interest agreements that reflect transfers of assets by donors to MPR 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 6. Board-Designated Endowment

APMG's Board of Trustees set aside $85.6 million from the $123 million net proceeds of the April 1998 sale of Rivertown Trading Company as a permanent quasi-endowment for the benefit of MPR, which is accounted for in the APMG Designated Fund. From time to time, additional amounts have been deposited into this endowment. APMG maintains variance power over the endowment. The Organization has adopted investment and spending policies for endowment assets with the objectives of providing a predictable stream of funding to programs supported by its endowment and maintaining the purchasing power of the endowment assets. The Investment Policy includes a spending policy designating an annual distribution of 5.0 percent of the five-year average market value of the Earned Endowment's assets. The distribution to MPR of $7,047,000 for the year ended June 30, 2010, was appropriated for operating expenses. At June 30, 2010, the market value of the Earned Endowment for MPR held by APMG in the APMG Designated Fund was $107,586,000.

	Year Ended June 30, 2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 103,385,000	$ -	$ -	$ 103,385,000
Investment income, net of investment fees	2,730,000	-	-	2,730,000
Net appreciation (realized and unrealized)	8,518,000	-	-	8,518,000
Appropriation of endowment assets for expenditure	(7,047,000)	-	-	(7,047,000)
Endowment net assets, end of year	$ 107,586,000	$ -	$ -	$ 107,586,000

Note 7. Property and Equipment

Net property and equipment at June 30, 2010 and 2009, consisted of the following:

	2010	2009
Cost:		
Land	$ 13,464,000	$ 13,464,000
Building and leasehold improvements	59,848,000	48,117,000
Equipment	30,871,000	34,727,000
Construction in progress	382,000	9,728,000
Total cost	104,565,000	106,036,000
Less accumulated depreciation and amortization	33,173,000	39,024,000
Net property and equipment	$ 71,392,000	$ 67,012,000

Note 7. Property and Equipment (Continued)

Total depreciation and leasehold amortization expense was $5,874,000 and $5,541,000 for the years ended June 30, 2010 and 2009, respectively, and was recorded in the Property Fund.

Note 8. Broadcast Licenses, Magazine Titles and Other Intangibles

Broadcast licenses and other intangibles at June 30, 2010 and 2009, consisted of the following:

	Weighted-Average Remaining Life in Years	2010	2009
Intangibles subject to amortization (primarily program rights)	3	$ 3,297,000	$ 3,317,000
Less accumulated amortization		2,348,000	2,036,000
		949,000	1,281,000
Broadcast licenses (not subject to amortization)		39,520,000	39,520,000
Total		$ 40,469,000	$ 40,801,000

Total amortization expense was $333,000 and $329,000 for the years ended June 30, 2010 and 2009, respectively.

The Organization's broadcast licenses, which have indefinite lives, are tested annually for impairment or more frequently if events or changes in circumstances indicate the asset may be impaired. The unit of accounting used to test broadcast licenses represents all licenses owned and operated within an individual market, as such licenses are used together, are complementary to each other and are representative of the best use of those assets. To complete the Organization's annual impairment test, management was assisted by an outside firm (the Firm) with noncommercial radio broadcast license expertise to provide a market valuation for each of the Organization's broadcast licenses. The Firm reviewed data from recent sale transactions and developed price-per-person multiples that could be applied to the populations reached by each of the Organization's broadcast licenses. The Firm's valuation also took into consideration specific engineering characteristics of the broadcast signals to adjust to specific populations served by the Organization. The Firm cautioned that the number of recent large-market transactions with open and unrestricted bids was very small and may not be instructive.

Note 8. Broadcast Licenses, Magazine Titles and Other Intangibles (Continued)

Based solely on a market approach, the Organization identified one broadcast license with a carrying value that exceeded the reported market value — WKCP 89.7 FM, Miami, Florida (the Station), with a carrying value of $20,246,000. The market approach reported an estimated fair value of $17,153,000. The Organization entered into an asset purchase agreement to purchase the Station on September 24, 2007 (Note 1), and changed the format to broadcast classical music. The Organization continues to implement the business plan it developed when it acquired the Station in 2007. The Firm reported that the availability of credit is important to maintain a functional market in radio broadcast licenses, especially in top-ranked, highly populated markets such as Miami, Florida. The Firm also reported that, historically, past declines in broadcast values have been followed by a recovery to past levels. Considering the difference between carrying value and reported market value, the limitations in comparable market data for the Station, the historical recovery patterns of market values of broadcast licenses, and the income potential for the Station's new format, the Organization's management conducted further analysis using an income approach. With these circumstances, a heavier emphasis was placed on the income approach (80 percent weighting) than the market approach (20 percent weighting). The income approach involves projecting cash flows into the future and discounting those future cash flows at an appropriate discount rate to calculate a net present value at June 30, 2010 (the Valuation Date). The major assumptions used in the income approach included growth in revenue and fundraising expenditures based on the past experience of this and other stations operated by the Organization, and operating expenses projected to grow at the rate of inflation. The future cash flows were discounted at a risk-adjusted rate of 10.0 percent, which reflects a base return plus a risk premium. The income approach resulted in an estimated fair value of $25,901,000. Assumptions about future cash flows require significant judgment because of the state of the economy and the fluctuation of actual revenues and expenses. If the expected cash flows are not realized, impairment losses may be recorded in the future.

The Organization applied weighted values noted above to estimate a fair value. Because the fair value of the Station exceeded the carrying value, no impairment was recorded as of June 30, 2010.

Note 9. Long-Term Obligations

Long-term obligations at June 30, 2010 and 2009, included the following:

	2010	2009
$11,500,000 variable-rate, Port Authority of the City of Saint Paul Demand Revenue Bonds — Series 2005-7, with interest due monthly (2.75% and 0.6% as of June 30, 2010 and 2009, respectively), maturing May 1, 2025; secured by an irrevocable letter of credit of $10,720,562, which expires on October 18, 2011	$ 10,590,000	$ 11,055,000
$10,000,000 variable-rate, Housing and Redevelopment Authority of the City of Saint Paul Demand Revenue Bonds — Series 2005, with interest due monthly (2.75% and 0.6% as of June 30, 2010 and 2009, respectively), maturing May 1, 2025; secured by an irrevocable letter of credit of $9,358,979, which expires on June 16, 2011	9,245,000	9,630,000
$10,000,000 variable-rate, Housing and Redevelopment Authority of the City of Saint Paul Demand Revenue Bonds — Series 2002, with interest due monthly (2.75% and 0.6% as of June 30, 2010 and 2009, respectively), maturing May 1, 2022; secured by an irrevocable letter of credit of $8,888,247, which expires on May 23, 2011	8,780,000	9,225,000

Note 9. Long-Term Obligations (Continued)

	2010	2009
$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 meets certain employment commitments.	2,052,000	2,283,000
$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 6.0% will accrue when savings are realized, and payments of 75.0% of such operating savings will be payable, first to repay accrued interest and then principal.	218,000	218,000
$7,000,000 variable-rate, California Infrastructure and Economic Development Demand Revenue Bonds — Series 2005, with interest due monthly (2.75% and 0.6% as of June 30, 2010 and 2009, respectively), maturing September 1, 2025; secured by an irrevocable letter of credit of $6,792,726, which expires on September 8, 2011	6,710,000	7,000,000
$8,000,000 variable-rate, California Infrastructure and Economic Development Demand Revenue Bonds — Series 2007, with interest due monthly (2.75% and 0.6% as of June 30, 2010 and 2009, respectively), maturing October 1, 2025; secured by an irrevocable letter of credit of $3,036,986, which expires on October 4, 2012	3,000,000	8,000,000
$22,300,000 variable-rate, Miami-Dade County Industrial Development Authority, FL Variable Demand Revenue Bonds — Series 2008, with interest due monthly (0.16% as of June 30, 2010), maturing December 1, 2038; secured by an irrevocable letter of credit of $22,507,727, which expires on December 11, 2011	22,300,000	22,300,000
$1,750,000 payable to Public Radio International (PRI), payable in 28 quarterly installments of $62,500 through June 30, 2012; interest imputed at 3.6%	480,000	708,000
Charitable gift annuities	71,000	74,000
Total long-term debt	63,446,000	70,493,000
Less optional redemption	3,000,000	-
Less amounts due within one year	2,438,000	2,050,000
Long-term portion	$ 58,008,000	$ 68,443,000

Note 9. Long-Term Obligations (Continued)

Interest on the variable-rate Demand Revenue Bonds (MPR Series 2002, 2005 and 2005-7, APMG Series 2008, and SCPR Series 2005 and 2007) (the Bonds) is based on a daily remarketing process; however, the rate is not to exceed 10.0 percent. MPR, APMG and SCPR have the option to call for the redemption and prepayment of the Bonds in full or in part as per the redemption schedule. Based on the redemption schedule, MPR and SCPR redeemed $1,585,000 of the Bonds during the year ended June 30, 2010. 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. There were no amounts outstanding on the letters of credit for bonds that were not remarketed as of June 30, 2010. The Bonds are also secured by the guarantee provided to the trustees by APMG. In addition to certain nonfinancial covenants, the Organization is required to maintain certain financial covenants, including (i) minimum net assets of $150,000,000; (ii) fair market value of unrestricted cash and investments of at least $60,000,000; (iii) a ratio of unrestricted cash and investments to all indebtedness of at least 1.25 to 1.0; and (iv) an MPR debt service ratio of no less than 1.25-to-1.0.

On July 1, 2010, SCPR exercised its option to call and redeem the repayment of the remaining $3,000,000 of the Southern California Public Radio Project Series 2007 Bonds. As of June 30, 2010, SCPR reported the optional redemption of long-term obligations as a current liability on its statement of financial position.

In the event the Organization 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, and excluding the July 1, 2010, optional redemption:

Years ending June 30:	
2011	$ 41,603,000
2012	17,023,000
2013	286,000
2014	304,000
2015	323,000
Thereafter	907,000
Total	$ 60,446,000

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:	
2011	$ 2,438,000
2012	2,738,000
2013	2,591,000
2014	2,704,000
2015	2,813,000
Thereafter	47,162,000
Total	$ 60,446,000

Note 9. Long-Term Obligations (Continued)

The Organization incurred $804,000 and $1,210,000 of interest expense during the years ended June 30, 2010 and 2009, respectively.

Note 10. Leases

The Organization leases office, studio and transmission facilities, as well as various computer equipment, under noncancelable operating leases. Total rent expense for all operating leases, including month-to-month leases and one-time rentals, was $2,032,000 and $2,005,000 for the years ended June 30, 2010 and 2009, respectively.

Minimum future payments required under noncancelable operating leases as of June 30, 2010, are as follows:

Years ending June 30:	
2011	$ 1,408,000
2012	1,355,000
2013	1,197,000
2014	1,076,000
2015	798,000
Thereafter	3,614,000
Total	$ 9,448,000

Note 11. Commitments and Contingencies

CSF operates radio station WKCP (89.3 FM) based on preliminary FCC approval of the sale from Trinity International University to APMG. Final approval is deemed likely. APMG would appeal should the FCC ultimately deny the sale.

The Organization 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 consolidated financial statements of the Organization.

SCPR is party to a Public Service Operating Agreement (the PACCD Agreement) with Pasadena Area Community College District (PACCD) for the operation of public radio station KPCC (89.3 FM), whose city of license is Pasadena, California. KPCC provides a radio broadcast signal to a significant portion of Southern California. Pursuant to the PACCD Agreement, SCPR assumed responsibility for the operation of KPCC, while PACCD remains the licensee of the station. The PACCD Agreement is effective through December 31, 2025, and then automatically extends for successive periods of five years each thereafter, unless either party files written notice at least 12 months prior to the end of the then-current term of extension.

SCPR is also party to a Public Service Operating Agreement (the UR Agreement) with the University of Redlands (UR) for the operation of public radio station KUOR (89.1 FM), whose city of license is Redlands, California. KUOR provides a radio broadcast signal to a significant portion of Southern California's Inland Empire. SCPR assumed responsibility for the programming, operation and financial activities of KUOR, while UR remains the licensee of the station. The UR Agreement terminates on April 21, 2017.

Under the terms of the Public Service Operating Agreements, SCPR must maintain certain minimum regulatory and operating requirements and share revenues generated.

Note 11. Commitments and Contingencies (Continued)

On April 20, 2010, the Organization entered into an agreement with Barry Telecommunications Inc to acquire and operate the noncommercial radio station WXEL (90.7 FM), serving West Palm Beach, Florida, for approximately $4,000,000. Final closing of the agreement has not been determined and is contingent in part on the approvals of the Board of Education of the State of Florida and the Federal Communications Commission. Upon closing of the agreement, the Organization intends to obtain long-term financing. The Organization has incurred transaction costs of $22,000 related to the agreement for the year ended June 30, 2010, which are reflected in operations expenses on the consolidated statement of activities.

Note 12. Income Taxes of For-Profit Subsidiary

Greenspring follows the liability method of accounting for income taxes. Under the liability method, deferred taxes are determined based on differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect. There was no benefit (provision) for federal and state income taxes included in the consolidated statement of activities for the year ended June 30, 2010.

The difference between the statutory federal rate and the effective rate relates primarily to an increase in the valuation allowance, state income taxes and permanent differences.

At June 30, 2010, deferred taxes are recorded to reflect the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end. Temporary differences, which gave rise to significant portions of the net deferred tax assets and liabilities, were as follows at June 30, 2010 and 2009:

	2010	2009
Deferred tax liabilities:		
Depreciation and amortization	$ 3,000	$ 6,000
Accelerated tax deductions for benefits to be paid in future periods	26,000	38,000
Other	24,000	26,000
Total deferred tax liabilities	53,000	70,000
Deferred tax assets:		
Net operating loss carryforward	2,658,000	2,366,000
Charitable contributions	38,000	35,000
Accrued vacation	17,000	49,000
Accrued bonuses	205,000	211,000
Deferred compensation	53,000	48,000
Deferred rent	2,000	5,000
Depreciation and amortization	10,000	22,000
Allowance for bad debt	66,000	59,000
Other	8,000	8,000
Total deferred tax assets	3,057,000	2,803,000
Valuation allowance	(3,004,000)	(2,733,000)
Net deferred tax asset	$ -	$ -

Note 12. Income Taxes of For-Profit Subsidiary (Continued)

Greenspring's ability to realize its deferred tax assets depends upon the generation of sufficient future taxable income to allow for the utilization of its net operating loss carryforwards and deductible temporary differences. Management annually evaluates the realizability of the deferred tax assets and the need for valuation allowances. As of June 30, 2010, based on current facts and circumstances, management does not believe that it is more likely than not that Greenspring will realize benefit for its gross deferred tax assets. Accordingly, Greenspring has established a valuation allowance to reduce its deferred tax assets to the estimated realizable value. The valuation allowance increased by $271,000 during the year ended June 30, 2010.

At June 30, 2010, Greenspring has $6,563,000 in gross federal and state net operating loss carryforwards that begin to expire in 2020.

Note 13. Retirement Plans and Deferred Compensation

The Organization and its not-for-profit affiliates have a 403(b) tax-deferred retirement plan, which provides that qualified employees may contribute to the plan through payroll deductions that were matched 100 percent by the respective employer up to 7.5 percent of the employee's base compensation through December 31, 2009, and 6 percent thereafter. Participation is voluntary after one year and is required after five years of employment or age 35, whichever is later. The Organization's contributions totaled $1,831,000 and $2,216,000 for the years ended June 30, 2010 and 2009, respectively.

The Organization's for-profit affiliates have a 401(k) tax-deferred retirement plan (the 401(k) Plan) to which qualified employees may contribute through payroll deductions, which were matched 100 percent by the respective employer up to 7.5 percent of their base compensation until March 1, 2009, when the matching percentage was changed to 5.0 percent of base compensation. Effective September 1, 2009, the 401(k) Plan was further amended to remove the mandatory employer matching contribution requirement. Participation is voluntary and employees are eligible after one year of employment. The Organization's contributions totaled $37,000 and $153,000 for the years ended June 30, 2010 and 2009, respectively.

Greenspring and its subsidiary have compensation arrangements with certain employees that provide for payments in the event of a change in control of Greenspring or its subsidiary.

Note 14. Educational Broadband Service (EBS) Frequencies Contracts

During the year ended June 30, 2008, MPR 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 channels. Under the terms of the contracts, MPR 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 contracts further provided that total lease payments of $25,000,000 be paid at the inception of the agreement. The contracts provide for initial lease periods of 15 years, with the option to renew the agreement 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 to be recognized over the 30-year lease terms on a straight-line basis. During the years ended June 30, 2010 and 2009, the Organization recognized $805,000 in each year as licensing fees in the consolidated statement of activities.

Supplemental Information

American Public Media Group and Affiliates

Schedule of Consolidating Statement of Activities by Entity
For the Year Ended June 30, 2010, with Comparative Totals for the Year Ended June 30, 2009
(In Thousands)

						Consolidated Total	
	APMG	CSF	MPR	SCPR	Eliminations	**2010**	2009
Operating fund activities:							
Support from public:							
Individual gifts and membership	$ -	$ 1,193	$ 15,854	$ 6,747	$ -	**$ 23,794**	$ 22,265
Regional underwriting	-	587	7,963	5,981	-	**14,531**	14,481
National underwriting	-	-	9,831	-	-	**9,831**	9,580
Business general support	-	2	1,015	74	-	**1,091**	1,248
Foundations	-	125	6,136	634	-	**6,895**	6,101
Earned endowment draw	-	-	2,546	-	-	**2,546**	5,117
Other support from long-term activities	-	-	-	95	-	**95**	-
Intercompany grants	-	24	-	202	(226)	**-**	-
Educational sponsors	-	-	426	-	-	**426**	483
Other public support	-	-	301	-	-	**301**	204
Total support from public	-	1,931	44,072	13,733	(226)	**59,510**	59,479
Support from governmental agencies:							
Corporation for Public Broadcasting	-	98	4,574	986	-	**5,658**	5,152
Grants from other governmental agencies	-	21	1,346	26	-	**1,393**	303
Total support from governmental agencies	-	119	5,920	1,012	-	**7,051**	5,455
Earned revenue:							
Revenue from broadcasting activities	-	-	16,554	-	-	**16,554**	18,053
Royalties and licensing fees	64	-	543	-	-	**607**	538
Investment return, net	104	-	730	1	-	**835**	1,245
Product sales and other earned revenue	16,773	-	1,679	97	(5,926)	**12,623**	11,545
Total earned revenue	16,941	-	19,506	98	(5,926)	**30,619**	31,381
Total support and earned revenue	16,941	2,050	69,498	14,843	(6,152)	**97,180**	96,315
Expenses:							
Operations	10,258	2,733	51,521	9,677	(2,266)	**71,923**	70,764
Selling, general and administrative	3,487	425	9,862	1,735	(4,870)	**10,639**	13,894
Fundraising	-	748	8,003	3,721	(777)	**11,695**	11,032
Costs of goods sold	3,695	-	-	-	(25)	**3,670**	3,393
Total expenses	17,440	3,906	69,386	15,133	(7,938)	**97,927**	99,083
Support and revenues in excess of (less than) expenses before long-term activities	(499)	(1,856)	112	(290)	1,786	**(747)**	(2,768)
Long-term activities:							
Designated Fund net change	4,845	-	5,482	-	(86)	**10,241**	(26,770)
Property Fund net change	(212)	(123)	(4,734)	12,184	(1,700)	**5,415**	2,744
Temporarily restricted net change	-	759	(910)	(4,489)	-	**(4,640)**	(125)
Permanently restricted net change	-	-	118	25	-	**143**	(11,356)
Change in net assets	4,134	(1,220)	68	7,430	-	**10,412**	(38,275)
Net assets (deficit) — beginning of year	86,438	(4,324)	101,657	19,341	-	**203,112**	241,387
Net assets (deficit) — end of year	$ 90,572	$ (5,544)	$ 101,725	$ 26,771	$ -	**$ 213,524**	$ 203,112

American Public Media Group and Affiliates

Schedule of Consolidating Statement of Financial Position Information by Entity
June 30, 2010, with Comparative Totals as of June 30, 2009
(In Thousands)

						Consolidated Total	
Assets	APMG	CSF	MPR	SCPR	Eliminations	**2010**	2009
Current Assets							
Cash and cash equivalents	$ 9,890	$ -	$ -	$ -	$ -	**$ 9,890**	$ 5,397
Due from parent	-	-	-	3,000	(3,000)	**-**	-
Trade receivable, net	1,236	208	13,693	2,748	-	**17,885**	16,025
Pledges receivable — capital campaign	-	-	554	1,855	-	**2,409**	1,918
Grants receivable	-	221	6,998	455	-	**7,674**	5,004
Investments — interest in investment pool	-	-	-	1,287	(1,287)	**-**	-
Other	719	21	1,674	1,237	-	**3,651**	4,454
Due from affiliates	819	-	806	-	(1,625)	**-**	-
Total current assets	12,664	450	23,725	10,582	(5,912)	**41,509**	32,798
Property and Equipment, net	149	450	47,807	22,986	-	**71,392**	67,012
Other Assets							
Investments — interest in investment pool	-	-	19,889	-	(19,889)	**-**	-
Investments	108,168	50	1,823	81	21,176	**131,298**	141,815
Investments limited to use	861	-	-	-	-	**861**	2,873
Endowment funds held by others and beneficial interest in trust	-	-	19,515	133	-	**19,648**	18,274
Trade receivable, net	-	-	416	4	-	**420**	140
Pledges receivable — capital campaign, net	-	-	50	3,883	-	**3,933**	1,023
Grants receivable, net	-	688	1,388	30	-	**2,106**	3,646
Deferred income taxes	129	-	-	-	-	**129**	142
Broadcast licenses not subject to amortization, net	20,246	-	18,267	1,007	-	**39,520**	39,520
Intangible assets subject to amortization, net	166	-	783	-	-	**949**	1,281
Other assets	385	15	538	102	-	**1,040**	984
Due from affiliates	7,438	-	27,751	-	(35,189)	**-**	-
Total other assets	137,393	753	90,420	5,240	(33,902)	**199,904**	209,698
Total assets	$ 150,206	$ 1,653	$ 161,952	$ 38,808	$ (39,814)	**$ 312,805**	$ 309,508

Liabilities and Net Assets	APMG	CSF	MPR	SCPR	Eliminations	Consolidated Total 2010	2009
Current Liabilities							
Trade payable	$ 1,399	$ 10	$ 1,471	$ 225	$ -	**$ 3,105**	$ 4,403
Optional redemption of long-term obligations	-	-		3,000	-	**3,000**	-
Current portion of long-term debt	300	-	1,838	300	-	**2,438**	2,050
Accrued liabilities	2,760	84	4,160	948	-	**7,952**	7,268
Refundable advance	-	-	250	-	-	**250**	344
Deferred revenue	303	-	892	-	-	**1,195**	1,121
Due to affiliates	3,806	-	-	819	(4,625)	**-**	-
Total current liabilities	8,568	94	8,611	5,292	(4,625)	**17,940**	15,186
Other Obligations							
Long-term obligations, less current portion	22,216	-	29,598	6,410	-	**58,224**	68,573
Interest rate swap	1,099	-	998	-	-	**2,097**	811
Deferred revenue, less current portion	-	-	21,020	-	-	**21,020**	21,826
Loan from affiliates	27,751	7,103	-	335	(35,189)	**-**	-
Total liabilities	59,634	7,197	60,227	12,037	(39,814)	**99,281**	106,396
Net Assets							
Unrestricted	90,572	(6,444)	66,243	23,404	-	**173,775**	158,866
Temporarily restricted	-	900	23,439	3,208	-	**27,547**	32,187
Permanently restricted	-	-	12,043	159	-	**12,202**	12,059
Total net assets	90,572	(5,544)	101,725	26,771	-	**213,524**	203,112
Total liabilities and net assets	$ 150,206	$ 1,653	$ 161,952	$ 38,808	$ (39,814)	**$ 312,805**	$ 309,508