

***Southern California
Public Radio
(An Affiliated Organization of
American Public Media Group)***

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

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Southern California Public Radio
Pasadena, CA

We have audited the accompanying statement of financial position of Southern California Public Radio (the "Organization"), an affiliated organization of American Public Media Group, as of June 30, 2007, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information was derived from the Organization's June 30, 2006, financial statements, and, in our report dated October 26, 2006, we expressed an unqualified opinion on those 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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Southern California Public Radio as of June 30, 2007, and the results of its activities, functional expenses, and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional operating and property fund information presented in the statements of activities and financial position for 2007 is presented for the purpose of additional analysis of the basic financial statements rather than to present the results of operations of the individual funds, and is not a required part of the basic financial statements. This additional fund information is the responsibility of the Organization's management. Such information has been subjected to the auditing procedures applied in our audit of the basic 2007 financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic 2007 financial statements taken as a whole.

Deloitte & Touche LLP

October 23, 2007

SOUTHERN CALIFORNIA PUBLIC RADIO
(An Affiliated Organization of American Public Media Group)

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

| | Year Ended June 30, 2007 | | | | | Year Ended June 30 | |
|--|--------------------------|-----------------|-----------------|------------------------|------------------------|--------------------|-----------------|
| | Unrestricted | | | Temporarily Restricted | Permanently Restricted | Total | |
| | Operating Fund | Property Fund | Total | | | 2007 | 2006 |
| SUPPORT FROM PUBLIC: | | | | | | | |
| Individual gifts and membership | \$ 4,922 | \$ - | \$ 4,922 | \$ 142 | \$ - | \$ 5,064 | \$ 4,864 |
| Individual gifts & membership released from restriction | 248 | | 248 | (248) | | | |
| Underwriting | 832 | | 832 | 4,002 | | 4,834 | 3,862 |
| Underwriting released from restriction | 3,474 | | 3,474 | (3,474) | | | |
| Business general support | 187 | | 187 | | | 187 | 71 |
| Foundations | 2 | | 2 | 1,494 | | 1,496 | 467 |
| Foundations released from restriction | 767 | | 767 | (767) | | | |
| Total support from public | <u>10,432</u> | <u>-</u> | <u>10,432</u> | <u>1,149</u> | <u>-</u> | <u>11,581</u> | <u>9,264</u> |
| SUPPORT FROM GOVERNMENTAL AGENCIES: | | | | | | | |
| Corporation for Public Broadcasting (CPB) | | | | 1,046 | | 1,046 | 777 |
| CPB released from restriction | 790 | 256 | 1,046 | (1,046) | | | |
| Grants from other governmental agencies | | | | | | | |
| Total support from governmental agencies | <u>790</u> | <u>256</u> | <u>1,046</u> | <u>-</u> | <u>-</u> | <u>1,046</u> | <u>777</u> |
| EARNED REVENUE: | | | | | | | |
| Revenue from broadcasting activities | 2 | | 2 | | | 2 | 4 |
| Investment return (Notes 2 and 10) | 25 | 207 | 232 | | 82 | 314 | 135 |
| Other earned revenue | 90 | 7 | 97 | | | 97 | 207 |
| Total earned revenue | <u>117</u> | <u>214</u> | <u>331</u> | <u>-</u> | <u>82</u> | <u>413</u> | <u>346</u> |
| TOTAL SUPPORT AND EARNED REVENUE | <u>11,339</u> | <u>470</u> | <u>11,809</u> | <u>1,149</u> | <u>82</u> | <u>13,040</u> | <u>10,387</u> |
| EXPENSES: | | | | | | | |
| Operations | 6,411 | 188 | 6,599 | | | 6,599 | 6,865 |
| Administrative | 1,357 | 4 | 1,361 | | | 1,361 | 1,126 |
| Fundraising | 3,772 | 10 | 3,782 | | | 3,782 | 2,743 |
| Total expenses | <u>11,540</u> | <u>202</u> | <u>11,742</u> | <u>-</u> | <u>-</u> | <u>11,742</u> | <u>10,734</u> |
| SUPPORT AND REVENUE (LESS THAN) IN EXCESS OF EXPENSES | <u>(201)</u> | <u>268</u> | <u>67</u> | <u>1,149</u> | <u>82</u> | <u>1,298</u> | <u>(347)</u> |
| CAPITAL CAMPAIGN REVENUE | | | | 2,444 | | 2,444 | 1,205 |
| CAPITAL CAMPAIGN REVENUE RELEASED FROM RESTRICTION | | 1,371 | 1,371 | (1,371) | | | |
| CAPITAL CAMPAIGN AND RELATED EXPENSES | | (907) | (907) | | | (907) | (747) |
| INTERFUND TRANSFER | <u>(83)</u> | <u>83</u> | | | | | |
| CHANGE IN NET ASSETS | <u>(284)</u> | <u>815</u> | <u>531</u> | <u>2,222</u> | <u>82</u> | <u>2,835</u> | <u>111</u> |
| NET ASSETS — Beginning of year | <u>553</u> | <u>2,297</u> | <u>2,850</u> | <u>3,656</u> | | <u>6,506</u> | <u>6,395</u> |
| NET ASSETS — End of year | <u>\$ 269</u> | <u>\$ 3,112</u> | <u>\$ 3,381</u> | <u>\$ 5,878</u> | <u>\$ 82</u> | <u>\$ 9,341</u> | <u>\$ 6,506</u> |

See notes to financial statements.

SOUTHERN CALIFORNIA PUBLIC RADIO
(An Affiliated Organization of American Public Media Group)

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

| | <u>Year Ended June 30, 2007</u> | | | <u>Year Ended June 30</u> | |
|----------------------------------|---------------------------------|-----------------------|--------------------|---------------------------|------------------|
| | <u>Operations</u> | <u>Administrative</u> | <u>Fundraising</u> | <u>Total</u> | <u>Total</u> |
| | | | | <u>2007</u> | <u>2006</u> |
| EXPENSES: | | | | | |
| Personnel (less fringe benefits) | \$ 3,157 | \$ 639 | \$ 1,621 | \$ 5,417 | \$ 4,703 |
| Fringe benefits | 614 | 101 | 254 | 969 | 965 |
| Programming — content | 1,052 | | | 1,052 | 1,002 |
| Other production | 371 | | | 371 | 305 |
| Space costs | 205 | 30 | 66 | 301 | 264 |
| Utilities | 106 | 24 | 36 | 166 | 116 |
| Repairs and maintenance | 18 | 1 | | 19 | 26 |
| Other occupancy | | 49 | 3 | 52 | 49 |
| Membership development | | | 522 | 522 | 356 |
| Promotion and development | 562 | | 1,127 | 1,689 | 2,000 |
| Travel and training | 54 | 34 | 21 | 109 | 96 |
| Management and general | 84 | 176 | 26 | 286 | 339 |
| Depreciation | 174 | 4 | 10 | 188 | 171 |
| Financial | | 303 | 96 | 399 | 192 |
| Payments to PACCD & UR (Note 9) | <u>202</u> | | | <u>202</u> | <u>150</u> |
| TOTAL | <u>\$ 6,599</u> | <u>\$ 1,361</u> | <u>\$ 3,782</u> | <u>\$ 11,742</u> | <u>\$ 10,734</u> |

See notes to financial statements.

SOUTHERN CALIFORNIA PUBLIC RADIO
(An Affiliated Organization of American Public Media Group)

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

| | June 30, 2007 | | | | | | June 30, 2006 Total |
|---|-------------------|------------------|-----------------|---------------------------|---------------------------|-----------------|---------------------------|
| | Unrestricted | | | Temporarily Restricted | Permanently Restricted | Total | |
| | Operating Fund | Property Fund | Total | | | | |
| ASSETS | | | | | | | |
| CURRENT ASSETS: | | | | | | | |
| Cash and cash equivalents | \$ - | \$ 3 | \$ 3 | \$ - | \$ - | \$ 3 | \$ 43 |
| Cash and cash equivalents due from parent | | | | | | | 415 |
| Accounts receivable: | | | | | | | |
| Trade — net | 1,618 | | 1,618 | 1,021 | | 2,639 | 2,459 |
| Capital campaign | | | | 991 | | 991 | 152 |
| Grants | 4 | | 4 | 652 | | 656 | 141 |
| Prepaid expenses | 248 | | 248 | | | 248 | 203 |
| Inventory | 110 | | 110 | | | 110 | 99 |
| Due from (to) other funds | 75 | (75) | | | | | |
| Total current assets | <u>2,055</u> | <u>(72)</u> | <u>1,983</u> | <u>2,664</u> | <u>-</u> | <u>4,647</u> | <u>3,512</u> |
| NET PROPERTY AND EQUIPMENT (Note 3) | | <u>7,180</u> | <u>7,180</u> | | | <u>7,180</u> | <u>6,755</u> |
| ACCOUNTS RECEIVABLE — Trade, net of present value discount | 2 | | 2 | 81 | | 83 | 4 |
| PLEDGES RECEIVABLE — Capital campaign, net of present value discount of \$6 & \$1 | | | | 234 | | 234 | 420 |
| OTHER ASSETS: | | | | | | | |
| Investments (Note 2) | | 513 | 513 | 1,971 | | 2,484 | 1,986 |
| Interest in investment pool (Note 2) | | 270 | 270 | 700 | | 970 | 60 |
| Investments limited to use (Note 2) | | 2,099 | 2,099 | | | 2,099 | 2,000 |
| Endowment Fund held by others (Note 10) | | | | | 82 | 82 | |
| Other | 30 | 122 | 152 | 228 | | 380 | 206 |
| Total other assets | <u>30</u> | <u>3,004</u> | <u>3,034</u> | <u>2,899</u> | <u>82</u> | <u>6,015</u> | <u>4,252</u> |
| TOTAL | <u>\$2,087</u> | <u>\$10,112</u> | <u>\$12,199</u> | <u>\$ 5,878</u> | <u>\$ 82</u> | <u>\$18,159</u> | <u>\$14,943</u> |
| LIABILITIES AND NET ASSETS | | | | | | | |
| CURRENT LIABILITIES: | | | | | | | |
| Accounts payable — trade | \$ 436 | \$ - | \$ 436 | \$ - | \$ - | \$ 436 | \$ 595 |
| Line of credit from APMG | 537 | | 537 | | | 537 | |
| Current portion of loan from APMG (Note 4) | 100 | | 100 | | | 100 | 100 |
| Accrued liabilities | 516 | | 516 | | | 516 | 427 |
| Deferred Revenue | 14 | | 14 | | | 14 | |
| Total current liabilities | <u>1,603</u> | <u>-</u> | <u>1,603</u> | <u>-</u> | <u>-</u> | <u>1,603</u> | <u>1,122</u> |
| OTHER LIABILITIES: | | | | | | | |
| Loan from APMG (Note 4) | 215 | | 215 | | | 215 | 315 |
| Long-term obligations (Note 5) | | 7,000 | 7,000 | | | 7,000 | 7,000 |
| Total other liabilities | <u>215</u> | <u>7,000</u> | <u>7,215</u> | <u>-</u> | <u>-</u> | <u>7,215</u> | <u>7,315</u> |
| Total liabilities | 1,818 | 7,000 | 8,818 | | | 8,818 | 8,437 |
| COMMITMENTS AND CONTINGENCIES (Note 7) | | | | | | | |
| NET ASSETS | 269 | 3,112 | 3,381 | 5,878 | 82 | 9,341 | 6,506 |
| TOTAL | <u>\$2,087</u> | <u>\$10,112</u> | <u>\$12,199</u> | <u>\$ 5,878</u> | <u>\$ 82</u> | <u>\$18,159</u> | <u>\$14,943</u> |

See notes to financial statements.

SOUTHERN CALIFORNIA PUBLIC RADIO
(An Affiliated Organization of American Public Media Group)

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

| | 2007 | 2006 |
|---|----------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ 2,835 | \$ 111 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 195 | 176 |
| Restricted contributions and grants | (1,040) | (50) |
| Increase in endowment funds held by others | (82) | |
| Unrealized gain on investments | (9) | |
| Decrease (increase) in: | | |
| Accounts receivable: | | |
| Trade — net | (259) | (475) |
| Grants | (515) | 246 |
| Prepaid expenses, inventory, and other assets | (237) | 242 |
| (Increase) decrease — accounts payable and accrued liabilities | (128) | 202 |
| Net cash provided to parent | <u>415</u> | <u>209</u> |
| Total adjustments | <u>(1,660)</u> | <u>550</u> |
| Net cash provided by operating activities | <u>1,175</u> | <u>661</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Capital expenditures | (541) | (606) |
| Purchase of investments | (1,693) | (2,675) |
| Sale of investments | 1,097 | |
| Change in interest in investment pool — net | <u>(902)</u> | <u>376</u> |
| Net cash used in investing activities | <u>(2,039)</u> | <u>(2,905)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Payment on loan from APMG | (100) | (100) |
| Contributions for restricted net assets | 387 | 502 |
| Line of credit from parent | 537 | |
| Debt issuance costs | | (134) |
| Proceeds from issuance of debt | | 7,000 |
| Principal payments on debt | | <u>(5,000)</u> |
| Net cash provided by financing activities | <u>824</u> | <u>2,268</u> |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (40) | 24 |
| CASH AND CASH EQUIVALENTS — Beginning of year | <u>43</u> | <u>19</u> |
| CASH AND CASH EQUIVALENTS — End of year | <u>\$ 3</u> | <u>\$ 43</u> |
| SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES — Additions to net property and equipment funded through accounts payable — trade | <u>\$ 91</u> | <u>\$ 19</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION — Cash paid during the year for interest | <u>\$ 247</u> | <u>\$ 211</u> |

See notes to financial statements.

SOUTHERN CALIFORNIA PUBLIC RADIO

(An Affiliated Organization of American Public Media Group)

NOTES TO FINANCIAL STATEMENTS **AS OF AND FOR THE YEAR ENDED JUNE 30, 2007** **(WITH COMPARATIVE TOTALS AS OF AND FOR THE YEAR ENDED JUNE 30, 2006)**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Description of Business — Southern California Public Radio (the “Organization” or SCPR) is a not-for-profit corporation located in Pasadena, CA. SCPR’s mission is to strengthen the civic and cultural bonds that unite Southern California’s diverse communities by providing the highest-quality news and information service through radio and interactive media.

American Public Media Group (APMG) is the not-for-profit parent support organization of SCPR and of Minnesota Public Radio|American Public Media (MPR|APM). APMG’s primary purpose is to provide financial and management support services to SCPR, MPR|APM, and other affiliates. APMG has the ability to elect, or to approve the election of, the SCPR Board of Trustees and a majority of the MPR|APM Board of Trustees.

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, CA. KPCC provides a radio broadcast signal to a significant portion of Southern California. Pursuant to the PACCD Agreement, effective January 1, 2000, SCPR assumed responsibility for the operation of KPCC, while PACCD remained the licensee of the station. As part of this transaction, PACCD contributed capital of \$172,000 in exchange for promises in the PACCD Agreement made by SCPR relating to the operation of the station, including certain minimum operating requirements, minimum budget requirements, and revenue sharing obligations to PACCD. APMG guaranteed to provide financial support to SCPR for a minimum of 10 years, in the form of loans, sufficient to assure that SCPR is capable of meeting certain operating expense levels. SCPR believes they are in compliance with this agreement as of June 30, 2007. Effective January 1, 2006, the parties agreed to an extension of the PACCD Agreement through December 31, 2025. The term automatically extends for successive periods of five years each thereafter, unless either party gives written notice at least 12 months prior to the end of the then-current term or extension. Also as part of this transaction, APMG and its affiliates agreed to provide programming, development, technical, human resources, and accounting services to SCPR. SCPR operates an Internet Web site at www.scpr.org where it provides a stream of its radio programming, archived audio programming, text, and interaction.

SCPR is party to a Public Service Operating Agreement (the “UR Agreement”) with the University of Redlands (UR) for the operation of the public radio station KUOR (89.1 FM), whose city of license is Redlands, CA. KUOR provides a radio broadcast signal to a significant portion of Southern California’s Inland Empire. Effective April 21, 2007, SCPR assumed responsibility for the programming, operation, and financial activities of KUOR, while UR remained the licensee of the station. In addition, SCPR must maintain certain minimum regulatory and contractual operating requirements and share revenues generated from or with respect to KUOR with UR (also see Note 9). The Organization believes they are in compliance with this agreement as of June 30, 2007. The UR Agreement terminates on April 21, 2017.

The Organization maintains the following 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 property and equipment owned by the Organization.

Basis of Financial Statement Presentation — The Organization is charged for certain estimated costs incurred by APMG and its affiliates in providing services. These charges may not necessarily be indicative of the actual costs that would have been incurred had the Organization operated independently. 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 — Unrestricted funds are those funds over which the SCPR Board of Trustees has discretionary control. All property, plant, and equipment, and debt are considered unrestricted.

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

Temporarily restricted net assets at June 30, 2007 and 2006, were restricted for:

| | 2007 | 2006 |
|---|---------------------|---------------------|
| Program support and underwriting | \$ 2,660,000 | \$ 1,478,000 |
| Capital | <u>3,218,000</u> | <u>2,178,000</u> |
| Total temporarily restricted net assets | <u>\$ 5,878,000</u> | <u>\$ 3,656,000</u> |

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

| | 2007 | 2006 |
|---|---------------------|---------------------|
| Individual gifts and membership | \$ 248,000 | \$ - |
| Underwriting | 3,474,000 | 3,291,000 |
| Foundations | 767,000 | 720,000 |
| Corporation for Public Broadcasting | 1,046,000 | 777,000 |
| Capital campaign revenue | <u>1,371,000</u> | <u>1,229,000</u> |
| Total temporarily restricted funds released from donor-imposed restrictions | <u>\$ 6,906,000</u> | <u>\$ 6,017,000</u> |

Permanently Restricted — Permanently restricted funds are those funds subject to donor-imposed restrictions that require the funds to be maintained by the Organization in perpetuity. In the absence of donor specifications that income and gains on donated funds be restricted, such income and gains are reported as income of unrestricted net assets. Permanently restricted net assets at June 30, 2007, represent endowment funds held by California Community Foundation (see Note 10). There were no permanently restricted net assets at June 30, 2006.

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

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

Revenue Recognition:

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

Broadcasting Activities — The Organization recognizes revenue from ticket sales. Ticket revenue is generated via live events. Revenue is recognized as earned when the live event occurs.

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

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 until the project is completed.

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 SCPR’s current needs.

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 SCPR. The funds held by APMG represent actual funds on hand at APMG and are available to SCPR at any time. Temporarily restricted cash and cash equivalents are still subject to donor-imposed restrictions.

Accounts Receivable:

Trade Accounts Receivable — Allowances for doubtful accounts of \$197,000 and \$172,000 at June 30, 2007 and 2006, respectively, have been recorded to provide for estimated bad debts.

Capital Campaign Receivable and Grants Receivable — Unconditional promises to make charitable contributions, the cash from which may be received over more than one year, are recorded by SCPR at their present value using a discount rate equivalent to treasury yields of similar maturity at the time of the contribution. Pledges receivable from various corporations, foundations, and individuals were discounted between 3.650% and 5.125% at June 30, 2007.

Trade, capital campaign, grants, and other receivables at June 30, 2007, were due as follows:

| | Temporarily Restricted | Unrestricted | Total |
|---|-----------------------------------|---------------------|---------------------|
| In less than one year | \$ 2,664,000 | \$ 1,622,000 | \$ 4,286,000 |
| In one to five years | 314,000 | 2,000 | 316,000 |
| In greater than five years | <u>1,000</u> | <u> </u> | <u>1,000</u> |
| Trade, capital campaign, grants, and other receivables | <u>\$ 2,979,000</u> | <u>\$ 1,624,000</u> | <u>\$ 4,603,000</u> |

In conjunction with the purchase of 474 Raymond St., SCPR received commitments in the amount of \$3,000,000 from local foundations for its building project. These commitments are contingent upon certain construction and fundraising requirements. Payment has not been received as of June 30, 2007, therefore this amount is not reflected on the financial statements.

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:

| | |
|-------------------------------------|------------|
| Building and leasehold improvements | 40 years |
| Equipment | 3–20 years |

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

Other Assets — Other assets include barter assets and capitalized bond issue costs. Barter assets are recorded at fair market value and expensed as used. Bond issue costs are recorded at historical cost and expensed over the life of the bonds using the straight-line method.

Income Tax Status — SCPR is organized under Chapter 317 of Minnesota Statutes as a not-for-profit organization. The Internal Revenue Service has determined that SCPR 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 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, and the Minnesota Department of Revenue has determined that SCPR is exempt from Minnesota income taxes under Section 290.05 Subdivision 9 of Minnesota Statutes. SCPR is engaged in certain activities that result in unrelated business income. For the years ended June 30, 2007 and 2006, SCPR incurred tax expense of \$0 and \$0, respectively.

Derivative Instruments and Hedging Activities — Management has reviewed the requirements of Financial Accounting Standards Board (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*, and determined that it has no freestanding or embedded derivatives.

Impairment of Long-Lived Assets — Management periodically reviews the carrying value of long-lived assets for potential impairment by comparing the carrying value of these assets to the estimated undiscounted future cash flows expected to result from the use of these assets. Should the sum of the related expected future net cash flows be less than the carrying value, an impairment loss would be recognized. No impairment was recorded in fiscal year 2007 or 2006.

Use of Estimates — The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions, such as the allowance for doubtful accounts receivable and the bonuses accrual that effect the reported amount of 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 materially from those estimates.

New Accounting Standards — In June 2006, the FASB issued FASB Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109*. FIN No. 48 clarifies the accounting for uncertain tax positions in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN No. 48 is effective for the Company for the year ended June 30, 2008. The Company is currently evaluating the impact of this standard on its 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 Company for the year ended June 30, 2009. The Company is currently evaluating the impact on the financial statements.

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

Risks and Uncertainties — The Organization invests in various securities including U.S. Government securities, corporate debt instruments and corporate stocks. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Reclassifications — Certain prior-year amounts have been reclassified to conform to the current year's presentation. The statement of financial position includes changes in investment presentation to reclassify \$60,000 out of investments and into interest in investment pool. The statement of cash flows includes a change in investing activities presentation to reclassify \$376,000 out of sale of investments and into change in interest in investment pool-net. These reclassifications had no impact on total other assets, total assets and net cash used in investing activities.

2. INVESTMENTS

Investments, interest in investment pool, and investments limited to use, at June 30, 2007 and 2006, consisted of the following:

| | 2007 | 2006 |
|---|---------------------|---------------------|
| Investments at market: | | |
| SCPR investments limited to use | \$ 2,099,000 | \$ 2,000,000 |
| SCPR Capital Campaign | 2,334,000 | 1,836,000 |
| Interest in investment pool | 970,000 | 60,000 |
| Investments at cost — investment in Gather Inc. | <u>150,000</u> | <u>150,000</u> |
| Total | <u>\$ 5,553,000</u> | <u>\$ 4,046,000</u> |

Types of investments held at June 30, 2007 and 2006, were as follows:

| | 2007 | 2006 |
|-------------------------------|---------------------|---------------------|
| Cash equivalents/money market | \$ 4,433,000 | \$ 3,836,000 |
| Interest in investment pool | 970,000 | 60,000 |
| Gather Inc. | <u>150,000</u> | <u>150,000</u> |
| Total | <u>\$ 5,553,000</u> | <u>\$ 4,046,000</u> |

Investments at market are carried at fair value based on quoted market prices, invested in cash equivalents and money market accounts, and are recorded as long-term assets as SCPR intends to utilize these for future construction projects. Investments at cost are carried at cost as SCPR holds less than 20% of the equity and does not have significant influence. Cost-basis investments are reviewed annually for impairment. There were no impairment charges during the years ended June 30, 2007 and 2006.

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

| | 2007 | 2006 |
|---|-------------------|-------------------|
| Interest and dividend income | \$ 230,000 | \$ 136,000 |
| Realized losses — net | (7,000) | (1,000) |
| Unrealized gains | 9,000 | |
| Endowment funds held by other (Note 10) | <u>82,000</u> | <u> </u> |
| Total net investment return | <u>\$ 314,000</u> | <u>\$ 135,000</u> |

The return from investments is comprised primarily of interest income from the capital campaign money market account and the Project Bonds investments limited to use. The investment return from funds held by APMG is the allocated portion due to SCPR based on the average investment balances.

The California Infrastructure and Economic Development Bank issued \$7,000,000 of Variable Rate Demand Revenue Bonds (SCPR investments limited to use) — Series 2005 to finance the acquisition, construction, improvement, and remodeling of the capital facilities at 474 South Raymond Avenue (also see Notes 3 and 5). The SCPR investments limited to use are the proceeds from the SCPR Project Bonds

(Note 5) are held in trust at Wells Fargo Bank in a construction fund. The proceeds remaining at June 30, 2007, were \$2,099,000 and will be used for the purposes noted above.

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

SCPR's interest in investment pool has \$970,000 and \$60,000 at June 30, 2007 and 2006 and is comprised of fixed income securities and cash equivalents at APMG. The funds held by APMG represent actual funds on hand and are available to SCPR at any time. Investment return is allocated to SCPR on a monthly basis based upon the average investment balances.

In December 2005, SCPR invested \$150,000 in Gather Inc, a social networking Web site devoted to creating an online community of public radio listeners.

3. NET PROPERTY AND EQUIPMENT

Net property and equipment at June 30, 2007 and 2006, consisted of the following:

| | 2007 | 2006 |
|--|---------------------|---------------------|
| Cost: | | |
| Land | \$ 4,734,000 | \$ 4,734,000 |
| Building and leasehold improvements | 1,201,000 | 1,201,000 |
| Equipment | 758,000 | 686,000 |
| Construction-in-progress | <u>1,022,000</u> | <u>495,000</u> |
| Total cost | 7,715,000 | 7,116,000 |
| Less accumulated depreciation and amortization | <u>(535,000)</u> | <u>(361,000)</u> |
| Total net property and equipment | <u>\$ 7,180,000</u> | <u>\$ 6,755,000</u> |

Total depreciation expense and amortization of leasehold improvements charged to operations in the Property Fund was \$188,000 and \$171,000 for the years ended June 30, 2007 and 2006, respectively.

Construction-in-Progress — Construction-in-progress at June 30, 2007, represents costs incurred in connection with remodeling and building projects. At June 30, 2007, building expansion and remodeling projects having an estimated final cost of \$11,439,000 are currently in progress. Total interest capitalized on construction during the years ended June 30, 2007 and 2006, was \$0 for both years as interest income on the bond construction funds exceeded interest expense on the projects.

4. AMOUNTS PAYABLE TO APMG

In January 2000, a loan was entered into between APMG and SCPR to provide long-term financing of up to \$1,000,000. The loan bears no stated interest rate, and no monthly principal payments were required. On February 5, 2004, an APMG board resolution approved a fixed repayment schedule for the note payable, which began with a payment of \$125,000 in 2004. At June 30, 2007 and 2006, the amount outstanding was \$315,000 and \$415,000, respectively.

Annual principal payments due on the loan from APMG at June 30, 2007, are as follows:

| Years Ending June 30 | |
|----------------------------------|-------------------|
| 2008 | \$ 100,000 |
| 2009 | 150,000 |
| 2010 | <u>65,000</u> |
| Total loan from APMG | 315,000 |
| Less amounts due within one year | <u>100,000</u> |
| Long-term portion | <u>\$ 215,000</u> |

In fiscal 2001, APMG established a line of credit for SCPR's general operating needs. This line was originally set at \$700,000 and increased to \$1,000,000 in February 2004. This line bears interest at the federal funds rate, and interest amounted to \$19,000 and \$0 for the respective fiscal years 2007 and 2006. The rate was 5.31% at June 30, 2007, and 5.25% at June 30, 2006. The line of credit expires on June 30, 2008. The line is classified as short term, as the June 30, 2007, balance is expected to be repaid within one year. The amount of the line outstanding at both June 30, 2007 and 2006, was \$537,000 and \$0, respectively.

5. LONG-TERM DEBT

The California Infrastructure and Economic Development Bank issued \$7,000,000 of Variable Rate Demand Revenue Bonds (Southern California Public Radio Project) — Series 2005 (SCPR Project Bonds) on behalf of the Organization to finance the acquisition, construction, improvement, and remodeling of the capital facilities at 474 South Raymond Avenue, an existing building on that site that was purchased on January 13, 2005 for \$5,740,000. The SCPR Project Bonds were issued on September 8, 2005, and will mature on September 1, 2025. The bond proceeds were used to pay off a \$5,000,000 variable interest rate, short-term loan from Allied Irish Bank, New York. The remaining proceeds from the bonds were transferred to the trustee (Wells Fargo Bank), who was required by the indenture to deposit the proceeds in the SCPR Project Bonds Construction Fund (see Note 2). Interest on the bonds is payable monthly, and principal payments are paid based on the maturity schedule below.

SCPR has the option to call for the redemption and prepayment of the outstanding bonds in full or in part as per the redemption schedule. Repayment of the SCPR Project Bonds is further secured by an irrevocable letter of credit issued by Allied Irish Bank, New York. The letter of credit on the date of issue was for \$7,086,302. The letter of credit expires on September 8, 2009. The bonds are also secured by a guarantee provided to the trustee (Wells Fargo Bank) by APMG. Interest on the bonds is based on a daily remarketing process; however, the rate is not to exceed 10%. The rate was 3.88% and 3.99% on June 30, 2007 and 2006, respectively.

The aggregate amount of the long-term debt maturities includes bonds issued in October 2007 (see Note 11) and based upon the stated terms of the debt at June 30, 2007, is as follows:

| Years Ending June 30 | |
|---------------------------------|----------------------|
| 2008 | \$ - |
| 2009 | 290,000 |
| 2010 | 300,000 |
| 2011 | 315,000 |
| 2012 | 715,000 |
| Thereafter | <u>13,380,000</u> |
| Total | <u>\$ 15,000,000</u> |

6. LEASES

The Organization leases studio facilities, transmission facilities, and office space under noncancelable operating lease agreements that expire at varying dates. Total rent expense for all operating leases was \$296,000 and \$259,000 for the years ended June 30, 2007 and 2006, respectively.

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

| Years Ending June 30 | |
|---------------------------------|---------------------|
| 2008 | \$ 187,000 |
| 2009 | 186,000 |
| 2010 | 192,000 |
| 2011 | 101,000 |
| 2012 | 84,000 |
| Thereafter | <u>958,000</u> |
| Total | <u>\$ 1,708,000</u> |

7. COMMITMENTS AND CONTINGENCIES

SCPR is involved in various legal proceedings incidental to its business. Although it is difficult to predict the ultimate outcome of these proceedings, management believes that the resolution of such proceedings will not have a material adverse effect on the operations or the financial position of SCPR.

8. RETIREMENT PLAN

SCPR employees participate in APMG's 403(b) tax-deferred retirement plan, which provides that qualified employees may contribute to the plan through payroll deductions, that are matched 100% by the employer up to 7.5% of their base compensation. Participation is voluntary after two years and is required after five years of employment or age 35, whichever is later. The Organization's contributions totaled \$172,000 and \$152,000 for the years ended June 30, 2007 and 2006, respectively.

9. AFFILIATED AND RELATED PARTY ORGANIZATIONS

SCPR is charged by APMG for its estimated share of various administrative services, accounting services, and personnel costs incurred on its behalf. For the years ended June 30, 2007 and 2006, these charges totaled \$274,000 and \$77,000, respectively, and are included in administrative expenses.

During the years ended June 30, 2007 and 2006, SCPR was charged \$68,000 and \$24,000, respectively, for various operational services provided by MPR|APM. These charges are reflected in fund raising and operations expenses.

SCPR is charged by MPR|APM for tenant improvements and rental costs associated with their shared office space in downtown Los Angeles. For the years ended June 30, 2007 and 2006, these charges totaled \$128,000 and \$221,000, respectively, and are included in space costs.

SCPR is charged by PACCD for various facilities costs. For the years ended June 30, 2007 and 2006, these charges totaled \$110,000 and \$128,000, respectively, and are included in space costs.

SCPR pays PACCD for use of the KPCC license. For each of the years ended June 30, 2007 and 2006, these charges totaled \$200,000 and \$150,000, respectively, and are included in operations.

SCPR pays UR for use of the KUOR license, which was effective April 21, 2007. For the year ended June 30, 2007, total charges were \$2,000 and are included in operations.

10. PERMANENT EXTERNAL ENDOWMENT

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

The effect of FASB Statement No. 136 is to recognize SCPR's beneficial interest in The Southern California Public Radio Endowment Fund (the "Fund") held by California Community Foundation.

SCPR is party to an agreement with California Community Foundation, which established an irrevocable endowment fund as of October 12, 2006. The agreement with California Community Foundation limits distributions to income and net appreciation on assets held as designated by the SCPR board in addition to other donor-imposed designations. Gifts to the Fund are irrevocable; however, the Fund could revert to SCPR in the event California Community Foundation liquidates. The Fund is managed at the discretion of California Community Foundation. The fair market value of the Fund was \$82,000 on June 30, 2007.

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

The aggregate amount recognized in the consolidated statement of financial position for SCPR's beneficial interest in the Fund as of June 30, 2007, was \$82,000. For the years ended June 30, 2007, permanently restricted investment return — net includes interest income and dividends of \$0, net appreciation of \$4,000, and transfers to the California Community Foundation of \$78,000.

11. SUBSEQUENT EVENT

In October 2007, the California Infrastructure and Economic Development Bank, CA issued \$8,000,000 of Variable Rate Demand Revenue Bonds (Southern California Public Radio Project) — Series 2007 on behalf of the Organization for the design, development, construction, rehabilitation, and remodel of the real property located at 474 South Raymond Avenue, Pasadena, CA. The Southern California Public Radio Project Bonds were issued on October 4, 2007, and will mature on October 1, 2025. The proceeds from the bonds were transferred to the trustee (Wells Fargo Bank), who is required by the indenture to deposit the same in the Construction Fund. Interest on bonds is payable monthly, at a variable rate. SCPR has the option to call for the redemption and prepayment of the outstanding bonds in full or in part as per the redemption schedule. Repayment of the Southern California Public Radio Project Bonds is further secured by an irrevocable letter of credit issued by Allied Irish Bank, New York. The letter of credit on the date of issue was for \$8,098,631. The letter of credit expires on October 4, 2012. The bonds are also secured by a guarantee provided to the trustee (Wells Fargo Bank) by the APMG, the parent company of Southern California Public Radio.

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