McGladrey & Pullen
Certified Public Accountants

Classical South Florida (An Affiliated Organization of American Public Media Group)

Financial Report
June 30, 2009

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Board of Trustees
Classical South Florida

We have audited the accompanying statement of financial position of Classical South Florida as of June 30, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Classical South Florida's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior period's summarized comparative information has been derived from the Organization's 2008 financial statements, and in our report dated October 29, 2008, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, the financial statements referred to above present fairly, in all material respects, the financial position of Classical South Florida as of June 30, 2009, and the results of its operations and its 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 Fund and Property Fund information presented in the statement of activities for 2009 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 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 financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

As discussed in Notes 1 and 4 to the financial statements, Classical South Florida's parent company, American Public Media Group, has committed to continue to provide funds to support the operating activities of Classical South Florida throughout fiscal 2010. At June 30, 2009, Classical South Florida has borrowings of $5,063,000.

McGladrey & Pullen, LLP

Minneapolis, Minnesota
October 16, 2009

Classical South Florida
(An Affiliated Organization of American Public Media Group)

Statement of Activities
Year Ended June 30, 2009, With Comparative Totals for the Period of Inception (November 13, 2007) Through June 30, 2008
(In Thousands)

	2009					2008
	Unrestricted					
	Operating Fund	Property Fund	Total	Temporarily Restricted	Total	Total
Support from public:						
Individual gifts and membership	$ 914	$ -	$ 914	$ -	$ 914	$ 460
Underwriting	-	-	-	412	412	61
Underwriting released from restriction	425	-	425	(425)	-	-
Business support	5	-	5	-	5	-
Foundation support	-	-	-	250	250	-
Foundation support released from restriction	125	-	125	(125)	-	-
Grant from APMG (Note 8)	-	-	-	-	-	78
Total support from public	1,469	-	1,469	112	1,581	599
Support from governmental sources:						
Corporation for Public Broadcasting (CPB)	-	-	-	52	52	-
CPB released from restriction	52	-	52	(52)	-	-
Total support from governmental sources	52	-	52	-	52	-
Other earned revenue	-	1	1	-	1	-
Total support and earned revenue	1,521	1	1,522	112	1,634	599
Expenses:						
Operations	2,726	76	2,802	-	2,802	1,452
Administrative	564	11	575	-	575	455
Fund-raising	872	22	894	-	894	379
Total expenses	4,162	109	4,271	-	4,271	2,286
Support and revenue (less than) in excess of expenses	(2,641)	(108)	(2,749)	112	(2,637)	(1,687)
Interfund transfer	(2)	2	-	-	-	-
Change in net assets	(2,643)	(106)	(2,749)	112	(2,637)	(1,687)
Net assets, beginning of year	(1,876)	160	(1,716)	29	(1,687)	-
Net assets, end of year	$ (4,519)	$ 54	$ (4,465)	$ 141	$ (4,324)	$ (1,687)

See Notes to Financial Statements.

Classical South Florida
(An Affiliated Organization of American Public Media Group)

Statement of Functional Expenses
Year Ended June 30, 2009, With Comparative Totals for the Period of Inception (November 13, 2007) Through June 30, 2008
(In Thousands)

	2009				2008
	Operations	Administrative	Fund-Raising	Total	Total
Expenses:					
Personnel (less fringe benefits)	$ 118	$ 236	$ 338	$ 692	$ 653
Fringe benefits	20	34	74	128	103
Programming and production	81	5	-	86	77
Space costs and equipment rent (Note 8)	1,842	19	17	1,878	947
Utilities	99	16	37	152	88
Repairs and maintenance	21	4	30	55	60
Promotion and development	444	7	167	618	133
Travel and training	42	17	35	94	47
Depreciation	51	11	21	83	14
Financial and general	84	226	175	485	164
Total	$ 2,802	$ 575	$ 894	$ 4,271	$ 2,286

See Notes to Financial Statements.

Classical South Florida
(An Affiliated Organization of American Public Media Group)

Statement of Financial Position
June 30, 2009, With Comparative Totals for June 30, 2008
(In Thousands)

Assets	2009	2008
Current Assets		
Accounts receivable — trade, net	$ 160	$ 70
Accounts receivable — grants	125	-
Prepaid expenses	9	12
Other	6	29
Total current assets	300	111
Net Property and Equipment (Note 3)	508	160
Other Assets	15	15
Total assets	$ 823	$ 286
Liabilities and Net Assets		
Current Liabilities		
Accounts payable, trade	$ 18	$ 76
Accrued liabilities	66	33
Total current liabilities	84	109
Other Liabilities		
Loan from APMG (Note 4)	5,063	1,864
Total other liabilities	5,063	1,864
Total liabilities	5,147	1,973
Commitments and Contingencies (Note 4, 5 and 6)		
Net Assets		
Unrestricted	(4,465)	(1,716)
Temporarily restricted	141	29
Total net assets	(4,324)	(1,687)
Total	$ 823	$ 286

See Notes to Financial Statements.

Classical South Florida
(An Affiliated Organization of American Public Media Group)

Statement of Cash Flows
Year Ended June 30, 2009, With Comparative Totals for the Period of Inception (November 13, 2007) Through June 30, 2008
(In Thousands)

	2009	2008
Cash Flows From Operating Activities		
Change in net assets	$ (2,637)	$ (1,687)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	83	14
Assets granted by APMG	-	(78)
Decrease (increase) in:		
Accounts receivable — trade, net	(90)	(70)
Grants receivable	(125)	-
Prepaid expenses and other assets	26	(56)
Accounts payable and accrued liabilities	(25)	104
Total adjustments	(131)	(86)
Net cash used in operating activities	(2,768)	(1,773)
Cash Flows From Investing Activities		
Purchase of equipment	(441)	(91)
Sale of equipment proceeds	10	-
Net cash used in investing activities	(431)	(91)
Cash Flows From Financing Activities		
Net borrowings on loan from APMG	3,199	1,864
Net cash provided by financing activities	3,199	1,864
Net (decrease) increase in cash and cash equivalents	-	-
Cash and Cash Equivalents, beginning of year	-	-
Cash and Cash Equivalents, end of year	$ -	$ -
Supplemental Disclosures of Noncash Investing Activities		
Additions to net property and equipment funded through a grant from APMG	$ -	$ 78
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for interest	$ 16	$ -

See Notes to Financial Statements.

Note 1. Nature of Business and Organization

Nature of business: Classical South Florida (the Organization or CSF) is a not-for-profit corporation located in Fort Lauderdale, Florida. CSF's mission is to strengthen the civic and cultural bonds that unite South Florida's diverse communities by providing the highest-quality classical music programming and interactive media resources.

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

As of June 30, 2009 and 2008, CSF accumulated a total net asset deficit of $4,324,000 and $1,687,000, respectively, due, in part, to one-time startup costs and emerging fund-raising efforts. As CSF's fund-raising efforts mature, the Organization anticipates its operating deficits will decrease and ultimately reverse. To the extent needed and at least through July 1, 2010, APMG has committed to provide funds to support the operations of CSF.

On September 24, 2007, APMG entered into an asset purchase agreement with Trinity International University (Trinity) to acquire WMCU 89.7 FM, serving South 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. Also under the PSOA, CSF has the opportunity to solicit donations and underwriting for the station and agrees to pay for and utilize certain APMG shared services, such as management, human resources, finance, legal, fund-raising, technical and programming services.

Note 2. Summary of Significant Accounting Policies

The Organization maintains the following unrestricted funds:

Operating Fund: The Operating Fund is maintained to account for general-purpose contributions, grants, and other revenues and to account for expenses associated with the operations of the Organization.

Property Fund: The Property Fund is maintained to acquire and account for all property and equipment owned by the Organization.

Note 2. Summary of Significant Accounting Policies (Continued)

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 or will require funding from future operations. All property, plant and equipment, and debt are considered unrestricted.

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

Temporarily restricted net assets at June 30, 2009, were restricted for program support and underwriting.

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

Revenue recognition:

Support from public: 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 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.

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 periods ended June 30, 2009 and 2008, barter revenues of approximately $236,000 and $2,000, respectively, and expenses of approximately $233,000 and $2,000, respectively, are reflected in the statement of activities.

Accounts receivable:

Trade accounts receivable: Trade accounts receivable consist primarily of individual gifts and membership and underwriting contributions. The Organization estimates an allowance for doubtful accounts based on a review of outstanding accounts as well as considering historical experience. The allowance for doubtful accounts is $26,000 and $13,000 at June 30, 2009 and 2008, respectively.

Grants receivable: Grant contributions, which include unconditional promises to give, are recorded as revenues in the period received. Unconditional promises to give due in the next year are reflected as grants receivable and are recorded at their net realizable value.

Note 2. Summary of Significant Accounting Policies (Continued)

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

	Years
Leasehold improvements	Lease term
Equipment	3 – 20

Other assets: Other assets include barter assets, which are recorded at fair market value and expensed as goods and services are used or received.

Income tax status: The Internal Revenue Service has determined that CSF is an organization exempt from federal tax under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is not a private foundation, as it qualifies as a public charity described in Section 170(b)(1)(A)(vi) of the Code. CSF is incorporated as a not-for-profit corporation under Florida Statutes, Chapter 617 and is exempt from state income tax under Florida Statutes, Section 220.13(2)(h).

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

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

The Organization files income tax returns in the U.S. federal jurisdiction and various states. As of June 30, 2009, and for the year then ended, there are no material unrecognized/derecognized tax benefits or tax penalties or interest.

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.

Startup costs: Startup costs are expensed as incurred.

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 statement of functional expenses. Accordingly, certain costs have been allocated between operations, administrative and fund-raising functions. Expenses are charged directly to these functional areas where possible. Remaining expenses are allocated using the best available method.

Use of estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting 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 48 clarifies the accounting for uncertain tax positions in accordance with FASB Statement No. 109, *Accounting for Income Taxes.* The Organization has adopted FIN 48 for the year ended June 30, 2009, with no impact on the financial statements.

In September 2006, the FASB issued FASB Statement No. 157 (FAS 157), *Fair Value Measurements,* which establishes a framework for reporting fair value and expands disclosure about fair value measurements. The Organization has adopted FAS 157 for the year ended June 30, 2009, for financial assets and liabilities, with no impact on the financial statements.

In February 2008, the FASB issued FASB Staff Position No. 157-2, *Effective Date of FASB Statement No. 157,* which permits a one-year deferral for the implementation of FAS 157 with regard to nonfinancial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis. For nonfinancial assets and nonfinancial liabilities, delayed application is permitted until the fiscal year beginning July 1, 2009. Management has not yet determined the impact of the adoption of the remaining provisions of FAS 157 on the Organization's financial statements.

In February 2007, the FASB issued FASB Statement No. 159 (FAS 159), *The Fair Value Option for Financial Assets and Financial Liabilities — including an amendment of FASB Statement No.* 115. FAS 159 permits an entity to elect fair value as the initial and subsequent measurement attribute for many financial statement assets and liabilities. Entities electing the fair value option would be required to recognize changes in fair value in earnings. Entities electing the fair value option are required to distinguish, on the face of the financial statements, the fair value of assets and liabilities for which the fair value option has been elected and similar assets and liabilities measured using another measurement attribute. The Organization adopted FAS 159 but did not elect the fair value option for any assets or liabilities during the year ended June 30, 2009.

In May 2009, the FASB issued FASB Statement No. 165 (ASC 855) (FAS 165), *Subsequent Events,* which establishes general standards of accounting for, and disclosure of, events that occur after the date of the financial statements but before the financial statements are issued or are available to be issued. FAS 165 requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. The Organization adopted FAS 165 on June 30, 2009. The adoption of this guidance did not have any impact on the financial statements. The Organization has considered subsequent events through October 16, 2009, the date of issuance, in preparing the financial statements and notes thereto.

Note 3. Net Property and Equipment

Net property and equipment at June 30, 2009 and 2008, consisted of the following:

	2009	2008
Equipment, at cost	$ 348,000	$ 174,000
Leasehold improvements	256,000	-
Less accumulated depreciation and amortization	(96,000)	(14,000)
Net property and equipment	$ 508,000	$ 160,000

Total depreciation expense recorded in the Property Fund was $83,000 and $14,000, respectively, for the year ended June 30, 2009, and the period of inception through June 30, 2008.

Note 4. Amounts Payable to APMG

During the period of inception through June 30, 2008, APMG established a line of credit for CSF's general operating needs. This line was originally set at $2,000,000. During the year ended June 30, 2009, APMG restructured the line of credit into a long-term note and increased the amount available to $8,000,000. This note bears interest at the federal funds effective rate of interest, which was 0.22 percent at June 30, 2009. Interest paid to APMG was $16,000 for the year ended June 30, 2009. The amount of the note outstanding at June 30, 2009 and 2008, was $5,063,000 and $1,864,000, respectively. CSF will begin to make payments on the note as soon as it is able, which is not expected to be before July 2010.

Note 5. Leases

The Organization leases studio facilities, office space and equipment under noncancelable operating lease agreements that expire at varying dates. Total rent expense for all operating leases was $177,000 and $97,000, respectively, for the year ended June 30, 2009, and the period of inception through June 30, 2008.

Minimum future payments required under noncancelable operating leases as of June 30, 2009, are as follows:

Years ending June 30:	
2010	$ 118,000
2011	114,000
2012	112,000
2013	73,000
2014	61,000
Thereafter	259,000
	$ 737,000

Note 6. Contingencies

CSF is operating the station based on preliminary FCC approval of the sale from Trinity International University to APMG. APMG would appeal should the FCC ultimately deny the sale.

Note 7. Retirement Plan

CSF employees participate in APMG's 403(b) tax-deferred retirement plan, which provides that qualified employees may contribute to the plan through payroll deductions that are matched 100 percent by the employer up to 7.5 percent of their base compensation. Participation is voluntary after one year and is required after five years of employment or age 35, whichever is later. The Organization made contributions of $7,000 during the year ended June 30, 2009. There were no contributions made for the period of inception through June 30, 2008, as there were no eligible employees who met the one-year employment requirement at that time.

Note 8. Affiliated and Related-Party Organizations

As discussed in Note 1, CSF entered into a PSOA with APMG on November 13, 2007. As part of the PSOA, CSF has access to the station and to programming owned by APMG as well as to certain broadcasting equipment. For the year ended June 30, 2009, and the period of inception through June 30, 2008, fees of $1,700,000 and $850,000, respectively, were expensed and are included in operating expenses in the statement of activities. CSF is also charged by APMG for its estimated share of various administrative services incurred on its behalf. These charges totaled $102,000 and $35,000, respectively, for the year ended June 30, 2009, and the period of inception through June 30, 2008, and are included in administrative expenses in the statement of activities. The PSOA includes a provision whereby APMG made a one-time grant of studio equipment, valued at $78,000, to CSF during the period of inception through June 30, 2008. The PSOA, which was renewed through June 30, 2010, includes an automatic annual renewal provision unless terminated by either party at least 90 days prior to the expiration of the then current term and a provision to negotiate the fee on an annual basis. Neither APMG nor CSF has expressed intent to terminate the agreement.

CSF reimbursed MPR $285,000 and $357,000 for personnel costs incurred on their behalf related to startup, programming and operating costs for the station during the year ended June 30, 2009, and the period of inception through June 30, 2008, respectively. These personnel and fringe benefit charges are reflected in operations, fund-raising and administrative expenses in the statement of activities.