

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

Financial Report  
June 30, 2010



McGladrey & Pullen, LLP  
Certified Public Accountants

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## 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, 2010, 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 was derived from the Organization's 2009 financial statements, and in our report dated October 16, 2009, 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, 2010, 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 2010 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 6 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 2011. At June 30, 2010, Classical South Florida had borrowings of \$7,103,000.

*McGladrey & Pullen, LLP*

Minneapolis, Minnesota  
October 21, 2010

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

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

	2010						2009
	Operating Fund	Property Fund	Eliminations	Total	Temporarily Restricted	Total	
Support from public:							
Individual gifts and membership	\$ 1,040	\$ -	\$ -	\$ 1,040	\$ 1,041	\$ 2,081	\$ 914
Individual gifts and membership released from restriction	153	-	-	153	(153)	-	-
Underwriting	78	-	-	78	505	583	412
Underwriting released from restriction	509	-	-	509	(509)	-	-
Business support	2	-	-	2	-	2	5
Foundation support	-	-	-	-	-	-	250
Foundation support released from restriction	125	-	-	125	(125)	-	-
Intercompany grant (Note 10)	24	8	(8)	24	-	24	-
<b>Total support from public</b>	<b>1,931</b>	<b>8</b>	<b>(8)</b>	<b>1,931</b>	<b>759</b>	<b>2,690</b>	<b>1,581</b>
Support from governmental agencies:							
Corporation for Public Broadcasting (CPB)	6	-	-	6	92	98	52
CPB released from restriction	92	-	-	92	(92)	-	-
Grants from other governmental agencies	-	-	-	-	21	21	-
Grants from other governmental agencies released from restriction	21	-	-	21	(21)	-	-
<b>Total support from governmental agencies</b>	<b>119</b>	<b>-</b>	<b>-</b>	<b>119</b>	<b>-</b>	<b>119</b>	<b>52</b>
Other earned revenue	-	-	-	-	-	-	1
<b>Total support and earned revenue</b>	<b>2,050</b>	<b>8</b>	<b>(8)</b>	<b>2,050</b>	<b>759</b>	<b>2,809</b>	<b>1,634</b>
Expenses:							
Operations	2,733	83	(8)	2,808	-	2,808	2,802
Administrative	425	16	-	441	-	441	575
Fundraising	748	32	-	780	-	780	894
<b>Total expenses</b>	<b>3,906</b>	<b>131</b>	<b>(8)</b>	<b>4,029</b>	<b>-</b>	<b>4,029</b>	<b>4,271</b>
<b>Change in net assets</b>	<b>(1,856)</b>	<b>(123)</b>	<b>-</b>	<b>(1,979)</b>	<b>759</b>	<b>(1,220)</b>	<b>(2,637)</b>
Net assets, beginning of year	(4,519)	54	-	(4,465)	141	(4,324)	(1,687)
Net assets, end of year	\$ (6,375)	\$ (69)	\$ -	\$ (6,444)	\$ 900	\$ (5,544)	\$ (4,324)

See Notes to Financial Statements.

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

**Statement of Functional Expenses**  
**Year Ended June 30, 2010, with Comparative Totals for the Year Ended June 30, 2009**  
**(In Thousands)**

	2010				2009
	Operations	Administrative	Fundraising	Total	
Expenses:					
Personnel	\$ 127	\$ 236	\$ 319	\$ 682	\$ 692
Fringe benefits of personnel	27	31	72	130	128
Programming and production	103	10	-	113	86
Space costs and equipment rent (Note 10)	1,860	2	-	1,862	1,878
Utilities	83	1	41	125	152
Repairs and maintenance	20	3	37	60	55
Promotion and development	398	4	195	597	618
Travel and training	18	12	15	45	94
Depreciation	60	16	32	108	83
Financial and general	112	126	69	307	485
<b>Total</b>	<b>\$ 2,808</b>	<b>\$ 441</b>	<b>\$ 780</b>	<b>\$ 4,029</b>	<b>\$ 4,271</b>

See Notes to Financial Statements.

**Classical South Florida**  
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**Statement of Financial Position**  
**June 30, 2010, with Comparative Totals for June 30, 2009**  
**(In Thousands)**

<b>Assets</b>	<b>2010</b>	<b>2009</b>
<b>Current Assets</b>		
Trade receivables, net (Note 4)	\$ 208	\$ 160
Grants receivable (Note 4)	221	125
Prepaid expenses	17	9
Other	4	6
<b>Total current assets</b>	<b>450</b>	<b>300</b>
Net Property and Equipment (Note 5)	450	508
<b>Other Assets</b>		
Grants receivable, net (Note 4)	688	-
Investments (Note 3)	50	-
Other assets	15	15
<b>Total assets</b>	<b>\$ 1,653</b>	<b>\$ 823</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Trade payables	\$ 10	\$ 18
Accrued liabilities	84	66
<b>Total current liabilities</b>	<b>94</b>	<b>84</b>
<b>Other Liabilities</b>		
Loan from APMG (Note 6)	7,103	5,063
<b>Total other liabilities</b>	<b>7,103</b>	<b>5,063</b>
<b>Total liabilities</b>	<b>7,197</b>	<b>5,147</b>
Commitments and Contingencies (Notes 6, 7 and 8)		
<b>Net Assets</b>		
Unrestricted	(6,444)	(4,465)
Temporarily restricted	900	141
<b>Total net assets</b>	<b>(5,544)</b>	<b>(4,324)</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,653</b>	<b>\$ 823</b>

See Notes to Financial Statements.

**Classical South Florida**  
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**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	\$ (1,220)	\$ (2,637)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	108	83
Decrease (increase) In:		
Trade receivable, net	(48)	(90)
Grants receivable	(784)	(125)
Prepaid expenses and other assets	(6)	26
Increase (decrease) in trade payable and accrued liabilities	10	(25)
<b>Total adjustments</b>	<b>(720)</b>	<b>(131)</b>
<b>Net cash used in operating activities</b>	<b>(1,940)</b>	<b>(2,768)</b>
Cash Flows From Investing Activities		
Purchase of investments	(50)	-
Purchase of equipment	(50)	(441)
Sale of equipment proceeds	-	10
<b>Net cash used in investing activities</b>	<b>(100)</b>	<b>(431)</b>
Cash Flows From Financing Activities		
Net borrowings on loan from APMG	2,040	3,199
<b>Net cash provided by financing activities</b>	<b>2,040</b>	<b>3,199</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>-</b>	<b>-</b>
Cash and Cash Equivalents, beginning of year	-	-
Cash and Cash Equivalents, end of year	\$ -	\$ -
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for interest	\$ 3	\$ 16

See Notes to Financial Statements.

**Classical South Florida**  
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**Notes to Financial Statements, with Comparative Information for the Year Ended June 30, 2009**

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**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, 2010 and 2009, CSF had accumulated a total net asset deficit of \$5,521,000 and \$4,324,000, respectively, due, in part, to one-time startup costs and fundraising efforts. As CSF's fundraising efforts mature, the Organization anticipates its operating deficits will decrease and ultimately reverse. To the extent needed and at least through July 1, 2011, 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, fundraising, technical and programming services.

**Note 2. Summary of Significant Accounting Policies**

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. All property, plant and equipment, and debt are considered unrestricted. 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.



Classical South Florida  
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Notes to Financial Statements, with Comparative Information for the Year Ended June 30, 2009

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**Note 2. Summary of Significant Accounting Policies (Continued)**

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

Temporarily restricted net assets at June 30, 2010, were restricted for program support and underwriting.

**Codification:** In June 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (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 updated references to GAAP in its 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 financial statements of the Organization are prepared on the accrual basis of accounting.

**Summarized financial information for the year ended June 30, 2009:** 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. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2009, from which the summarized information was derived.

**Investments:** Investments in money market funds are carried 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).

**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 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.

A contribution of \$1,000,000 was received from one donor during the year ended June 30, 2010, of which \$900,000 is scheduled to be paid in the future.

Classical South Florida  
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Notes to Financial Statements, with Comparative Information for the Year Ended June 30, 2009

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**Note 2. Summary of Significant Accounting Policies (Continued)**

**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 \$206,000 and \$236,000, respectively, and expenses of \$204,000 and \$233,000, respectively, are reflected in the statement of activities.

**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
Leasehold improvements	Lease term
Equipment	3 – 20

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

**Income tax status:** 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). 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.

The Organization has 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.

**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.

**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 fundraising functions. Expenses are charged directly to these functional areas where possible. Remaining expenses are allocated using the best available method to approximate each functional expense.

Classical South Florida  
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Notes to Financial Statements, with Comparative Information for the Year Ended June 30, 2009

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**Note 2. Summary of Significant Accounting Policies (Continued)**

**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.

**Subsequent events:** The Organization has considered subsequent events through October 21, 2010, the date of issuance, in preparing the financial statements and notes; there were none to report.

**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 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 assets, 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.

Fair value of actively traded money market funds is based on quoted market prices. The Organization held \$50,000 in an actively traded money market fund, Level 1, at June 30, 2010.

**Note 4. Receivables**

**Trade receivables:** Trade receivables 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 \$43,000 and \$26,000 at June 30, 2010 and 2009, respectively.

**Classical South Florida  
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**Notes to Financial Statements, with Comparative Information for the Year Ended June 30, 2009**

**Note 4. Receivables (Continued)**

**Grants receivable:** Grant contributions, which include unconditional promises to give, are recorded as support 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. Unconditional promises to give due in subsequent years are reflected as noncurrent grants receivable and are recorded at the present value of their net realizable value, using discount rates applicable to the years in which the promises are received. Present value discounts of \$12,000 and \$-0- at June 30, 2010 and 2009, respectively, were recorded. Amortization of the discount is reported on the statement of activities within public and government support.

Net trade and grants receivable at June 30, 2010, were due as follows:

In less than one year	\$ 430,000
In one to five years	688,000
Trade and grants receivable	<u>\$ 1,118,000</u>

**Note 5. Net Property and Equipment**

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

	2010	2009
Equipment, at cost	\$ 367,000	\$ 348,000
Leasehold improvements	256,000	256,000
Less accumulated depreciation and amortization	(173,000)	(96,000)
Net property and equipment	<u>\$ 450,000</u>	<u>\$ 508,000</u>

Total depreciation expense recorded in the Property Fund was \$108,000 and \$83,000, respectively, for the years ended June 30, 2010 and 2009.

**Note 6. Amounts Payable to APMG**

APMG established a long-term note for CSF's general operating needs up to \$8,000,000. This note bears interest at the federal funds effective rate of interest, which was 0.09 percent at June 30, 2010. Interest paid to APMG was \$3,000 and \$16,000 for the years ended June 30, 2010 and 2009, respectively. The amount of the note outstanding at June 30, 2010 and 2009, was \$7,103,000 and \$5,063,000, respectively. CSF will begin to make payments on the note as soon as it is able, which is not expected to be before July 2011.

**Note 7. 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 \$159,000 and \$177,000, respectively, for the years ended June 30, 2010 and 2009.

**Classical South Florida  
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**Notes to Financial Statements, with Comparative Information for the Year Ended June 30, 2009**

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**Note 7. Leases (Continued)**

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

Years ending June 30:	
2011	\$ 114,000
2012	112,000
2013	73,000
2014	61,000
2015	63,000
Thereafter	196,000
	<u>\$ 619,000</u>

**Note 8. Commitments and 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.

On April 20, 2010, the Organization entered into an agreement with Barry Telecommunications Inc to acquire and operate the noncommercial radio station WXEL (90.7FM) 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 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 statement of activities.

**Note 9. 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 through December 31, 2009, and 6.5 percent thereafter. 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 \$17,000 and \$7,000 during the years ended June 30, 2010 and 2009, respectively.

**Note 10. Affiliated and Related-Party Organizations**

As part of the PSOA with APMG (see Note 1), CSF has access to the station and to programming owned by APMG as well as to certain broadcasting equipment. For both years ended June 30, 2010 and 2009, fees of \$1,700,000 were expensed and are included in operations 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 \$60,000 and \$102,000, respectively, for the years ended June 30, 2010 and 2009, and are included in administrative expenses in the statement of activities. The PSOA 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.

**Classical South Florida  
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**Notes to Financial Statements, with Comparative Information for the Year Ended June 30, 2009**

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**Note 10. Affiliated and Related-Party Organizations (Continued)**

CSF reimbursed MPR \$124,000 and \$285,000 for personnel costs incurred on their behalf related to programming and operating costs for the station during the years ended June 30, 2010 and 2009, respectively. These personnel and fringe benefit charges are reflected in operations, fundraising and administrative expenses in the statement of activities.

CSF received a grant of programming services from MPR in the amount of \$24,000 for the year ended June 30, 2010, that is reflected as an intercompany grant and operations expense on the statement of activities.