McGladrey & Pullen
Certified Public Accountants

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

Financial Report
For the Period of Inception Through June 30, 2008

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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, 2008, and the related statements of activities, functional expenses and cash flows for the period of inception (November 13, 2007) through June 30, 2008. 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.

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.

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 and statement of financial position for 2008 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 2008 financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic 2008 financial statements taken as a whole.

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, 2008, and the results of its operations and its cash flows for the period of inception (November 13, 2007) through June 30, 2008, in conformity with accounting principles generally accepted in the United States of America.

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 2009. At June 30, 2008, Classical South Florida has borrowings of $1,864,000.

McGladrey & Pullen, LLP

Minneapolis, Minnesota
October 29, 2008

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

Statement of Activities
For the Period of Inception (November 13, 2007) Through June 30, 2008
(In Thousands)

	Unrestricted				
	Operating Fund	Property Fund	Total	Temporarily Restricted	Total
Support from public:					
Individual gifts and membership	$ 460	$ -	$ 460	$ -	$ 460
Underwriting	-	-	-	61	61
Underwriting released from restriction	32	-	32	(32)	-
Grant from APMG (Note 8)	-	78	78	-	78
Total support from public	492	78	570	29	599
Expenses:					
Operations	1,365	87	1,452	-	1,452
Administrative	455	-	455	-	455
Fundraising	379	-	379	-	379
Total expenses	2,199	87	2,286	-	2,286
Support and revenue (less than) in excess of expenses	(1,707)	(9)	(1,716)	29	(1,687)
Interfund transfer	(169)	169	-	-	-
Change in net assets	(1,876)	160	(1,716)	29	(1,687)
Net assets, beginning of year	-	-	-	-	-
Net assets, end of year	$ (1,876)	$ 160	$ (1,716)	$ 29	$ (1,687)

See Notes to Financial Statements.

Classical South Florida
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Statement of Functional Expenses
For the Period of Inception (November 13, 2007) Through June 30, 2008
(In Thousands)

	Operations	Administrative	Fundraising	Total
Expenses:				
Personnel (less fringe benefits)	$ 238	$ 219	$ 196	$ 653
Fringe benefits	45	30	28	103
Programming — content	39	2	-	41
Other production	36	-	-	36
Space costs and equipment rent (Note 8)	889	27	31	947
Utilities	32	35	21	88
Repairs and maintenance	41	8	-	49
Other occupancy	-	3	8	11
Membership development	-	-	30	30
Promotion and development	53	-	50	103
Travel and training	31	12	4	47
Management and general	37	100	9	146
Depreciation	11	1	2	14
Licensing	-	7	-	7
Financial	-	11	-	11
Total	$ 1,452	$ 455	$ 379	$ 2,286

See Notes to Financial Statements.

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

Statement of Financial Position
June 30, 2008
(In Thousands)

	Unrestricted				
Assets	Operating Fund	Property Fund	Total	Temporarily Restricted	Total
Current Assets					
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ -
Accounts receivable — trade, net	70	-	70	-	70
Prepaid expenses	12	-	12	-	12
Other	-	-	-	29	29
Total current assets	82	-	82	29	111
Net Property and Equipment (Note 3)	-	160	160	-	160
Other Assets					
Deposit	15	-	15	-	15
Total other assets	15	-	15	-	15
Total assets	$ 97	$ 160	$ 257	$ 29	$ 286
Liabilities and Net Assets					
Current Liabilities					
Accounts payable, trade	$ 76	$ -	$ 76	$ -	$ 76
Accrued liabilities	33	-	33	-	33
Total current liabilities	109	-	109	-	109
Other Liabilities					
Loan from APMG (Note 4)	1,864	-	1,864	-	1,864
Total other liabilities	1,864	-	1,864	-	1,864
Total liabilities	1,973	-	1,973	-	1,973
Commitments and Contingencies (Note 4, 5 and 6)					
Net Assets	(1,876)	160	(1,716)	29	(1,687)
Total	$ 97	$ 160	$ 257	$ 29	$ 286

See Notes to Financial Statements.

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

Statement of Cash Flows
For the Period of Inception (November 13, 2007) Through June 30, 2008
(In Thousands)

Cash Flows From Operating Activities	
Change in net assets	$ (1,687)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	14
Assets granted by APMG	(78)
Decrease (increase) in:	
Accounts receivable — trade, net	(70)
Prepaid expenses and other assets	(56)
Increase in accounts payable and accrued liabilities	104
Total adjustments	(86)
Net cash used in operating activities	(1,773)
Cash Flows From Investing Activities	
Purchase of equipment	(91)
Net cash used in investing activities	(91)
Cash Flows From Financing Activities	
Net borrowings on loan from APMG	1,864
Net cash provided by financing activities	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

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 Miami, 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 | American Public Media (MPR|APM). APMG's primary purpose is to provide financial and management support services to CSF, SCPR, MPR|APM, and other affiliates. APMG has the ability to elect, or to approve the election of, the CSF Board of Trustees and a majority of the MPR|APM Board of Trustees.

During the period of inception (November 13, 2007) through June 30, 2008, CSF accumulated a total net asset deficit of $1,687,000 due, in part, to one-time startup costs and emerging 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 October 2009, 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 (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 for $20,000,000 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

The Organization maintains the following unrestricted funds:

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

Property Fund: To acquire and account for all property and equipment owned by the Organization.

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.

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, contributions to underwrite specific programs are released as related spots are run.

Temporarily restricted net assets at June 30, 2008, 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 exchanges on-air and web underwriting spots for certain goods and services. Underwriting revenue is recognized at fair value when spots air. Barter expense is recorded when the goods or services are used or received. During the period of inception through June 30, 2008, barter revenues and expenses of approximately $2,000 and $2,400, respectively, are reflected in the statement of activities.

Accounts receivable:

Trade accounts receivable: Trade accounts receivable consist primarily of individual gifts, 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 $13,000 at June 30, 2008.

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

	Years
Building and leasehold improvements	40
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.

Note 2. Summary of Significant Accounting Policies (Continued)

Income tax status: The Internal Revenue Service has made a preliminary determination 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)(l)(A)(vi) of the Code. CSF is incorporated as a not-for-profit corporation under Florida Statute Chapter 617 and is exempt from state income tax under Florida Statute Section 220.13(2)(h).

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.

Allocation of expenses: The Organization's costs of providing its various services have been classified on a functional basis in the statement of activities. 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.

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. 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 48 clarifies the accounting for uncertain tax positions in accordance with FASB Statement No. 109, *Accounting for Income Taxes.* FIN 48 also prescribes 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. In addition, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. In October 2008, the FASB delayed the effective date of FIN 48 for nonpublic enterprises to annual financial statements for fiscal years beginning after December 15, 2008. The Organization is evaluating the impact on the financial statements.

In September 2006, the FASB issued FASB Statement No. 157, *Fair Value Measurements,* which establishes a framework for reporting fair value and expands disclosure about fair value measurements. FASB Statement No. 157 is effective for the Organization for the year ending June 30, 2009. The Organization is evaluating the impact on the financial statements.

Note 2. Summary of Significant Accounting Policies (Continued)

In February 2007, the FASB issued FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities — including an amendment of FASB Statement No.* 115. FASB Statement No. 159 permits an entity to elect fair value as the initial and subsequent measurement attribute for many financial statement assets and liabilities. Entities electing the fair value option would be required to recognize changes in fair value in earnings. Entities electing the fair value option are required to 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. FASB Statement No. 159 is effective for the Organization for the year ending June 30, 2009. The adjustment to reflect the difference between the fair value and the carrying amount would be accounted for as cumulative-effect adjustment to net assets as of the initial date of the adoption. The Organization is evaluating the impact on the financial statements.

Note 3. Net Property and Equipment

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

Equipment, at cost	$	174,000
Less accumulated depreciation and amortization		(14,000)
Net property and equipment	$	160,000

Total depreciation expense recorded in the Property Fund was $14,000 for the period of inception through June 30, 2008.

Note 4. Amounts Payable to APMG

In fiscal 2008, APMG established a line of credit for CSF's general operating needs. This line was set at $2,000,000 and bears interest at the Federal Funds Effective Rate of Interest. The line expires on June 30, 2009, but APMG has asserted their intention to renew the line at that date and to fund future budgeted operating shortfalls. The amount outstanding on the line at June 30, 2008, is classified as long-term, as the line is not expected to be repaid within one year. The amount of the line outstanding at June 30, 2008, was $1,864,000.

Note 5. Leases

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

Note 5. Leases (Continued)

Minimum future payments required under noncancelable operating leases as of June 30, 2008, are as follows:

Years ending June 30:		
2009	$	195,000
2010		138,000
2011		114,000
2012		112,000
2013		73,000
Thereafter		320,000
	$	952,000

Note 6. Contingencies

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

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 two years and is required after five years of employment or age 35, whichever is later. The Organization made no contributions for the period of inception through June 30, 2008, as there were no eligible employees who met the two-year requirement.

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 period of inception through June 30, 2008, fees of $850,000 were expensed and are included in operating expenses as space costs and equipment rent. CSF is also charged by APMG for its estimated share of various administrative services incurred on its behalf. These charges totaled $35,000 for the period of inception through June 30, 2008, and are included in administrative expenses. The PSOA also 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 expires June 30, 2009, 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. Both APMG and CSF have indicated their intent to renew the agreement indefinitely, and have agreed in principle to a fee of $1,700,000 per year.

During the period of inception through June 30, 2008, CSF reimbursed MPR|APM $357,000 for personnel costs incurred on their behalf related to startup, programming and operations costs for the station. These personnel and fringe benefit charges are reflected in operations, fundraising and administrative expenses.