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, was incorporated on September 9, 1999, and is located in Pasadena, California. SCPR’s mission is to enrich the mind and nourish the spirit through radio, related technology, and services. SCPR seeks to produce and to acquire radio programming of community value and to combine these programs into the highest quality radio service for Southern California.

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

In December 1999, the Organization entered into a Public Service Operating Agreement (the Agreement) with Pasadena Area Community College District (PACCD) for the operation of public radio station KPCC (89.3 FM), whose city of license is Pasadena, California and that provides a radio broadcast signal to a significant portion of Southern California. Pursuant to the 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 $172,121 in exchange for promises in the Agreement made by SCPR relating to the operation of the station, including certain minimum operating requirements, minimum budget requirements, revenue sharing obligations, and contributions to PACCD to support a digital training academy. MCG guaranteed to provide financial support to SCPR for a minimum of ten years, in the form of loans, sufficient to assure that SCPR is capable of meeting certain operating expense levels. SCPR may terminate the Agreement on or after January 1, 2005, provided that SCPR has provided PACCD notice at least six months prior to the effective date of termination. PACCD may terminate the Agreement on or after January 1, 2015, provided that PACCD notifies SCPR at least five years prior to the effective date of the termination. Also as part of this transaction, MCG and MPR agreed to provide programming, development, technical, human resources, and accounting services to SCPR.

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 equipment owned by the Organization.

Basis of Financial Statement Presentation - The Organization is charged for certain estimated costs incurred by MCG and MPR. 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 equipment and debt are considered unrestricted.

**Temporarily Restricted** - Temporarily restricted funds are those funds subject to donor-imposed restrictions which 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. There were no temporarily restricted net assets for the period ended June 30, 2000.

**Permanently Restricted** - Permanently restricted funds are those funds subject to donor-imposed restrictions. The restriction requires that the funds 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. There were no permanently restricted net assets for the period ended June 30, 2000.

**Donor-Restricted Gifts** - Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Such 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.

**Cash and Cash Equivalents** - Cash and cash equivalents represent cash on hand held by MCG on behalf of SCPR and are available to SCPR at any time.

**Depreciation and Amortization** - The cost of equipment is depreciated over the estimated useful lives (five to twenty years) of the related assets using the straight line method.

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

**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.

**Fair Value of Financial Instruments** - The carrying values of cash and cash equivalents, accounts receivable, and accounts payable are reasonable estimates of their fair value due to the short-term nature and terms of these financial instruments.
Use of Estimates - Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates that were used.

2. EQUIPMENT

Equipment consisted of the following at June 30, 2000:

<table>
<thead>
<tr>
<th>Cost:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment</td>
<td>$ 45,930</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(2,115)</td>
</tr>
<tr>
<td></td>
<td>$ 43,815</td>
</tr>
</tbody>
</table>

3. NOTE PAYABLE

In January 2000, a note was entered into between MCG and SCPR. The note bears no stated interest rate and no monthly principal payments are required. Principal repayment terms are provided in the guarantee between MCG and SCPR. It is the intent of the guarantee that once SCPR is capable of repaying the loans from MCG, it will complete such repayments over a five-year or longer period. At June 30, 2000, the amount outstanding was $427,946.

4. LEASES

The Organization leases office, studio, and transmission facilities under non-cancelable operating leases. Total rent expense charged to operations was $49,189 for the period ended June 30, 2000.

Minimum future operating lease obligations are as follows:

<table>
<thead>
<tr>
<th>Years ending June 30:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$ 24,780</td>
</tr>
<tr>
<td>2002</td>
<td>24,780</td>
</tr>
<tr>
<td>2003</td>
<td>24,780</td>
</tr>
<tr>
<td>2004</td>
<td>24,780</td>
</tr>
<tr>
<td>2005</td>
<td>12,390</td>
</tr>
<tr>
<td></td>
<td>$111,510</td>
</tr>
</tbody>
</table>

5. 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 cases, management believes that the resolution of such proceedings will not have a material adverse effect on the operations or the financial position of SCPR.
6. RETIREMENT PLAN

SCPR participates in MCG’s 403(b) tax deferred annuity plan which provides that qualified employees may contribute to the plan through payroll deductions, which are matched 100% by the respective 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 employers' contributions totaled $6,239 for the period ended June 30, 2000.

7. AFFILIATED ORGANIZATIONS

SCPR is charged by MCG for its estimated share of various accounting services, personnel costs, and insurance costs incurred on its behalf. For the period ended June 30, 2000, these charges totaled $41,650 and are included in administrative expenses.

During the period ended June 30, 2000, SCPR was charged $162,336 for various operational services provided by MPR. These charges are reflected in fundraising and operations expenses.

SCPR is charged by PACCD for various overhead costs such as space, postage, and telephone. For the period ended June 30, 2000, these charges totaled $64,452 and are reflected in programming, facilities, publications, and administrative expenses.

For each of the four years beginning July 1, 2000, SCPR is charged $175,000, per year, payable quarterly by PACCD for use of the license. No such amount was charged by SCPR for the period ended June 30, 2000.

8. INTERFUND TRANSFERS

Interfund transfer for the period ended June 30, 2000 consisted of transfers from the SCPR Property Fund to the SCPR Operating Fund for capital acquisitions and from the SCPR Operating Fund to the SCPR Property Fund for capital financing in the amounts of $45,930.