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# Marfa Public Radio Corporation

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Annual Financial  
Report and  
Independent Auditor's  
Report

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Years ended December 31, 2015  
and 2014

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# Marfa Public Radio Corporation

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors and General Manager  
Marfa Public Radio Corporation  
106 E. San Antonio Street  
Marfa, TX 79843

### ***Report on the Financial Statements***

I have audited the accompanying financial statements of Marfa Public Radio Corporation (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2015 and 2014, and the related statement of activities and the statement of cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marfa Public Radio Corporation as of December 31, 2015 and 2014, and the changes in activities and cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matter**

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Patsy C. Culver, CPA

Alpine, TX

April 11, 2016

**Marfa Public Radio Corporation**  
**Statement of Financial Position**  
December 31, 2015 and 2014

|                                       | <u>2015</u>         | <u>2014</u>         |
|---------------------------------------|---------------------|---------------------|
| <b>ASSETS</b>                         |                     |                     |
| <b>Current Assets:</b>                |                     |                     |
| <b>Checking/Savings</b>               |                     |                     |
| Restricted Cash for Loan Repayment    | \$ 8,015            | \$ 4,409            |
| Cash                                  | 257,470             | 214,192             |
| <b>Cash and Cash Equivalents</b>      | <b>\$ 265,485</b>   | <b>\$ 218,601</b>   |
|                                       |                     |                     |
| <b>Other Current Assets</b>           |                     |                     |
| Pledges Receivable                    | \$ 500              | \$ 34,329           |
| Rental Deposit                        | 3,300               | 2,338               |
| Prepaid Legal Expenses                | 3,000               | 3,000               |
| <b>Total Other Current Assets</b>     | <b>\$ 6,800</b>     | <b>\$ 39,667</b>    |
|                                       |                     |                     |
| <b>Total Current Assets</b>           | <b>\$ 272,285</b>   | <b>\$ 258,268</b>   |
| <b>FCC License</b>                    | <b>\$ 392,207</b>   | <b>\$ 373,177</b>   |
| <b>Fixed Assets:</b>                  |                     |                     |
| Buildings, Intern Housing             | \$ 350,682          | \$ 409,244          |
| Broadcast Equipment                   | 264,145             | 264,145             |
| Leasehold Improvements                | 156,847             | 156,846             |
| Radio Tower                           | 841,883             | 841,883             |
| <b>Less: Accumulated Depreciation</b> | <b>(737,641)</b>    | <b>(598,604)</b>    |
|                                       |                     |                     |
| <b>Total Fixed Assets - Net</b>       | <b>\$ 875,916</b>   | <b>\$ 1,073,514</b> |
| <b>Other Assets</b>                   |                     |                     |
| Other                                 | \$ -                | \$ 3,300            |
| <b>Total Assets</b>                   | <b>\$ 1,540,408</b> | <b>\$ 1,708,259</b> |

**Marfa Public Radio Corporation**  
**Statement of Financial Position**

December 31, 2015 and 2014

LIABILITIES & EQUITY

|  | <u>2015</u>                | <u>2014</u>                |
|--|----------------------------|----------------------------|
| <b>Liabilities</b>                             |                            |                            |
| <b>Current Liabilities</b>                     |                            |                            |
| <b>Accounts Payable</b>                        |                            |                            |
| Accounts Payable                               | \$ 1,500                   | \$ 33,642                  |
| Accounts Payable                               | <u>\$ 1,500</u>            | <u>\$ 33,642</u>           |
| <b>Other Current Liabilities</b>               |                            |                            |
| Employee Benefit Payable                       | 1,600                      | 1,500                      |
| Payroll Taxes Liabilities                      | 737                        | 744                        |
| Sales Tax Payable                              | 551                        | 340                        |
| Current Portion, Long Term Debt                | 129,419                    | 118,379                    |
| Current Liabilities                            | <u>\$ 132,307</u>          | <u>\$ 120,963</u>          |
| <b>Total Current Liabilities</b>               | <u>\$ 133,807</u>          | <u>\$ 154,605</u>          |
| <b>Long Term Liabilities</b>                   |                            |                            |
| Notes Payable, less current portion            | <u>\$ 208,249</u>          | <u>\$ 391,409</u>          |
| <b>Total Long Term Liability</b>               | <u>\$ 208,249</u>          | <u>\$ 391,409</u>          |
| <b>Total Liabilities</b>                       | <u>342,056</u>             | <u>546,014</u>             |
| <b>Net Assets:</b>                             |                            |                            |
| <b>Unrestricted Net Assets</b>                 |                            |                            |
| Available for Operations                       | \$ 39,738                  | \$ 33,478                  |
| Invested in Fixed Assets                       | 1,073,514                  | 981,849                    |
| <b>Total Unrestricted Net Assets</b>           | <u>\$ 1,113,252</u>        | <u>\$ 1,015,327</u>        |
| <b>Temporarily Restricted Net Assets</b>       |                            |                            |
| Grants   | 47,512                     | 84,955                     |
| <b>Total Temporarily Restricted Net Assets</b> | <u>\$ 47,512</u>           | <u>\$ 84,955</u>           |
| <b>Unrestricted Net Assets - Current</b>       | 37,588                     | 61,963                     |
| <b>Total Net Assets</b>                        | <u>\$ 1,198,352</u>        | <u>\$ 1,162,245</u>        |
| <b>Total Liabilities and Total Net Assets</b>  | <u><u>\$ 1,540,408</u></u> | <u><u>\$ 1,708,259</u></u> |

**Marfa Public Radio Corporation**  
**Statement of Activities**  
For the Year Ended December 31, 2015

|                                       | <u>Unrestricted</u>     | <u>Temporarily<br/>Restricted</u> | <u>Total</u>            |
|---------------------------------------|-------------------------|-----------------------------------|-------------------------|
| <b>Public Support and Revenues</b>    |                         |                                   |                         |
| Memberships & Donations               | \$ 270,932              | \$ -                              | \$ 270,932              |
| Donated Services                      | 15,923                  | -                                 | 15,923                  |
| Event Fundraisers                     | 43,599                  | -                                 | 43,599                  |
| Grants                                | 400,918                 | 47,512                            | 448,430                 |
| Underwriting                          | 67,547                  | -                                 | 67,547                  |
| Merchandise Income                    | 8,861                   | -                                 | 8,861                   |
| Rental Income                         | 23,677                  | -                                 | 23,677                  |
| Gain on Sale of Real Estate           | 55,355                  |                                   | 55,355                  |
| Net Assets Released from Restrictions |                         |                                   |                         |
| Expiration of Time Restriction-CPB    | 84,955                  | (84,955)                          | -                       |
| <br>Total Public Support and Revenue  | <br><u>\$ 971,767</u>   | <br><u>\$ (37,443)</u>            | <br><u>\$ 934,324</u>   |
| <br><b>Expenses</b>                   |                         |                                   |                         |
| Programming Services                  | \$ 522,236              | \$ -                              | 522,236                 |
| Support Services                      | \$ 374,500              | -                                 | 374,500                 |
| <br>Total Expenses                    | <br><u>\$ 896,736</u>   | <br><u>\$ -</u>                   | <br><u>\$ 896,736</u>   |
| <br>Change in Net Assets              | <br>\$ 75,031           | <br>\$ (37,443)                   | <br>\$ 37,588           |
| <br>Net Assets - January 1, 2015      | <br><u>1,160,764</u>    |                                   | <br><u>1,160,764</u>    |
| <br>Net Assets - December 31, 2015    | <br><u>\$ 1,235,795</u> | <br><u>\$ (37,443)</u>            | <br><u>\$ 1,198,352</u> |

**Marfa Public Radio Corporation**  
**Statement of Activities**  
For the Year Ended December 31, 2014

|                                       | <u>Unrestricted</u>     | Temporarily<br><u>Restricted</u> | <u>Total</u>            |
|---------------------------------------|-------------------------|----------------------------------|-------------------------|
| <b>Public Support and Revenues</b>    |                         |                                  |                         |
| Capital Campaign                      | \$ 31,720               | \$ -                             | \$ 31,720               |
| Donated Services                      | 27,700                  |                                  | 27,700                  |
| Membership & Donations                | 345,101                 | -                                | 345,101                 |
| Event Fundraisers                     | 54,600                  | -                                | 54,600                  |
| Grants                                | 417,807                 | 84,955                           | 502,762                 |
| Underwriting                          | 58,784                  | -                                | 58,784                  |
| Merchandise Income                    | 9,680                   | -                                | 9,680                   |
| Net Assets Released from Restrictions |                         |                                  |                         |
| Expiration of Time Restriction-CPB    | -                       | -                                | -                       |
| <br>Total Public Support and Revenue  | <br><u>\$ 945,392</u>   | <br><u>\$ 84,955</u>             | <br><u>\$ 1,030,347</u> |
| <br><b>Expenses</b>                   |                         |                                  |                         |
| Programming Services                  | \$ 491,434              |                                  | 491,434                 |
| Support Services                      | 476,950                 | -                                | 476,950                 |
| <br>Total Expenses                    | <br><u>\$ 968,384</u>   | <br><u>\$ -</u>                  | <br><u>\$ 968,384</u>   |
| <br>Change in Net Assets              | <br>\$ (22,992)         | <br>\$ 84,955                    | <br>\$ 61,963           |
| <br>Net Assets - January 1, 2014      | <br><u>1,100,281</u>    |                                  | <br><u>1,100,281</u>    |
| <br>Net Assets - December 31, 2014    | <br><u>\$ 1,077,289</u> | <br><u>\$ 84,955</u>             | <br><u>\$ 1,162,244</u> |



**Marfa Public Radio Corporation**  
**Statement of Cash Flows**  
For the year ended December 31, 2015 and 2014

|   | <u>2015</u>         | <u>2014</u>         |
|---|---------------------|---------------------|
| <b>Operating Activities</b>   |                     |                     |
| Change in Net Assets  | \$ 37,588           | \$ 61,963           |
| Adjustments to reconcile change in net assets to<br>to net cash provided by operations: |                     |                     |
| Increase (Decrease) Pledges Receivable  | (33,829)            | (34,229)            |
| Increase (Decrease) Deposit on Purchase   | -                   | (705)               |
| Increase (Decrease) Depreciation and Amortization                                       | 163,093             | 87,788              |
| Increase (Decrease) Rental Deposits   | 2,338               | (2,488)             |
| Increase (Decrease) in Prepaid Expenses   | -                   | -                   |
| Increase (Decrease) in Accounts Payable   | (32,142)            | 29,448              |
| Increase (Decrease) in Payroll Liabilities  | 2,330               | 1,831               |
| Increase (Decrease) in Sales Tax Payable  | 212                 | (345)               |
| Increase (Decrease) in Current Portion, Long Term Debt                                  | 47,000              | 35,960              |
| <b>Net cash provided (used) by Operating Activities</b>                                 | <b>\$ 186,590</b>   | <b>\$ 179,223</b>   |
| <b>Investing Activities</b>   |                     |                     |
| Proceeds on Sale - Intern Housing   | 120,000             | -                   |
| Purchase of Equipment & Leashold Improvements   | (74,175)            | (179,455)           |
| Purchase of FCC Costs/License & Legal   | (19,030)            | -                   |
| <b>Net cash provided (used) by Investing Activities</b>                                 | <b>\$ 26,795</b>    | <b>\$ (179,455)</b> |
| <b>Financing Activities</b>   |                     |                     |
| Opening Balance Equity Adjustment   | \$ (1,141)          | \$ (2,138)          |
| Temp Restricted Net Assets: Grants  | 47,512              | 84,955              |
| Unrestricted Net Assets: Operations   | (340,300)           | (437,715)           |
| Unrestricted Net Assets: Fixed Assets   | 322,640             | 355,901             |
| Reduction of Notes Payable from Sale  | (115,000)           | -                   |
| Note Payable, less current portion  | (78,212)            | 31,030              |
| <b>Net cash provided (used) by Financing Activities</b>                                 | <b>\$ (164,501)</b> | <b>\$ 30,033</b>    |
| <b>Net cash increase (decrease) in Cash or Cash Equivalents</b>                         | <b>\$ 48,884</b>    | <b>\$ 29,801</b>    |
| <b>Cash and Cash Equivalents - January 1</b>  | <b>\$ 216,601</b>   | <b>\$ 186,800</b>   |
| <b>Cash and Cash Equivalents - December 31</b>  | <b>\$ 265,485</b>   | <b>\$ 218,601</b>   |

# Marfa Public Radio Corporation

## Notes to the Audited Financial Statements

For the years ended December 31, 2015 and 2014

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Organization and Nature of Activities

The Marfa Public Radio Corporation (the "Station") is a Texas not-for-profit corporation chartered in February, 2005. The Station's purpose is to furnish not-for-profit educational FM radio broadcasting service to Marfa, Texas and surrounding areas and to operate and maintain one or more radio stations for charitable and educational purposes.

The Station qualifies as a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code, and, therefore, has no provision for federal income taxes. In addition, money contributed to the Station qualifies for the charitable contribution deduction under Section 1709(b) (1) (A) of the Internal Revenue Code. The Station has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

#### B. Basis of Presentation

The Station has adopted Statement of Financial Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the organization is required to report information regarding its financial position and activities according to the three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Unrestricted Net Assets:* Net assets not subject to donor-imposed stipulations. Assets restricted solely through actions of the Board are reported as unrestricted net assets. Board designated net assets represent amounts subject to Board-imposed restrictions that will be met by actions of the Station.

*Temporarily Restricted Net Assets:* Net assets subject to donor-imposed stipulations that will be met by actions of the Station and/or passage of time. The balance represents donor restricted contributions and pledge receivables. When a restriction expires, either by actions of the Station or collections of the pledges, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*Permanently Restricted Net Assets:* Net assets subject to donor-imposed stipulations that the assets be maintained permanently. Generally, the donors of these assets permit the Station to use all or part of the income earned on the related investments for general or specific purpose.

# Marfa Public Radio Corporation

## Notes to Audited Financial Statements

For the years ended December 31, 2015 and 2014

### C. Comparative Data

The amounts shown for the year ended December 31, 2014 in the accompanying financial statements are included to provide a basis for comparison with 2015.

### D. Public Support and Revenue

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when the 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. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

### E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### F. Cash and Cash Equivalents

The Station has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agents and considers cash equivalents to be all temporary investments that are readily convertible to cash, such as certificates of deposits, commercial paper, and treasury bills with maturity of less than three (3) months. Cash and cash equivalents for the purposes of the Statement of Cash Flows exclude permanently restricted cash and cash equivalents.

### G. Fixed Assets

Capital assets are carried at cost or fair value of donated assets. Depreciation is computed using the straight-line method over the estimated useful lives of the assets (5 to 15 years). Costs for normal maintenance and repairs are recognized in the period paid, while major renewals are capitalized. When property and equipment is sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in income of the period.

The Station capitalizes property and equipment over \$5,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Station reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Station reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are

# Marfa Public Radio Corporation

## Notes to Audited Financial Statements

For the years ended December 31, 2015 and 2014

depreciated using the straight-line method over estimated useful lives ranging from five to thirty years.

### H. Advertising

The Station expenses advertising costs as incurred. Advertising totaled approximately \$13,261 in 2015 and \$5,027 in 2014.

### I. Income Taxes

The Station is a not-for-profit organization exempt from federal income taxation under Section 501 (c) (3) of the Internal Revenue Code, and is not a "private foundation" within the meaning of Section 509 (a). Donors of money and/or property are entitled to the maximum charitable contribution deduction allowed by law. The station is not subject to the Texas Franchise tax.

Under Section 501(c)(6) of the Internal Revenue Code, the Association is exempt from federal income tax on all income except unrelated business income as noted under Section 511 of the Internal Revenue Code. Under that section, an unrelated trade or business of an exempt organization is any trade or business which is frequently and regularly carried on and which does not contribute importantly to the Organization's exercise or performance of its exempt purpose. Under this definition, the 2015 rental income of \$13,777 from the Intern Housing is not considered unrelated business income. This facility is for Sale as of December 31, 2015. In addition, the 2015 broadcast tower sub-lease income in the amount of \$9,900 is also excluded as unrelated business income because no acquisition indebtedness occurred. As such, no provision for income taxes has been accrued.

Management is not aware of any further tax positions that would have a significant impact on its financial position. Its federal tax returns for the last four years remain subject to examination.

### J. Concentration of Credit Risk

Financial instruments that potentially subject the Station to concentrations of credit risk consist principally of cash and investments. The Station maintains cash deposits with major financial institutions which, from time-to-time, may exceed federally insured limits. The Station periodically assesses the financial condition of the institutions and believes the risk of any loss is minimal. The Station periodically assesses the financial condition of the institutions holding any investments, as well as the diverse nature of its investments, and believes the risk of loss is minimal.

### K. Subsequent Event

Subsequent events have been evaluated by management through April 20, 2016, which is the date the financial statements were available to be issued. Material subsequent events, if any, are disclosed in a separate footnote to these financial statements.

# Marfa Public Radio Corporation

## Notes to Audited Financial Statements

For the years ended December 31, 2015 and 2014

### L. New Accounting Pronouncements

Management is not aware of any new accounting pronouncements that have been released, and are not yet effective, which will have a significant impact to its financial position or results of operations in future periods.

### NOTE 2: FCC LICENSE

A Federal Communications Commission (FCC) license, with the cost of \$230,634, was donated in 2007 for KRTS. A FCC license is valued at either cost or estimated fair value at the date contributed. Since the FCC license is determined to be renewed indefinitely it is not subject to Amortization. As of December 31, 2014 and 2013, the Station tested for impairment and determined there was no impairment.

A Federal Communications Commission (FCC) license, with the cost of \$142,043, was purchased in 2011 for KXWT. A Federal Communications Commission (FCC) license, with the cost of \$19,030, was purchased in 2015 for a Presidio expansion. A FCC license is valued at either cost or estimated fair value at the date contributed. This license was valued at cost. Since the FCC license is determined to be renewed indefinitely it is not subject to Amortization. As of December 31, 2015 and 2014, the Station tested for impairment and determined there was no impairment.

### NOTE 3: FIXED ASSETS

The following schedule sets forth the Station's capital assets at December 31, 2015.

|   | Beginning of the<br>Year | Additions           | Transfers &<br>Retirements | End of Year       |
|---|--------------------------|---------------------|----------------------------|-------------------|
| Leasehold Improvements                  | \$ 156,847               | \$ -                | \$ -                       | \$ 156,847        |
| Buildings - Intern Housing              | 409,244                  | -                   | 58,562                     | 350,682           |
| Radio Tower                             | 841,883                  | -                   | -                          | 841,883           |
| Broadcast Equipment                     | <u>264,145</u>           | <u>-</u>            | <u>-</u>                   | <u>264,145</u>    |
|   | 1,672,119                | -                   | 58,562                     | 1,613,557         |
| Accumulated Depreciation & Amortization | <u>(607,435)</u>         | <u>(128,706)</u>    | <u>(1,500)</u>             | <u>(737,641)</u>  |
|   | <u>\$ 1,064,684</u>      | <u>\$ (128,706)</u> | <u>\$ 57,062</u>           | <u>\$ 875,916</u> |
|   |                          |                     |                            |                   |
|   |                          |                     |                            |                   |

The following schedule sets forth the Station's capital assets at December 31, 2014.

# Marfa Public Radio Corporation

## Notes to Audited Financial Statements

For the years ended December 31, 2015 and 2014

|   | Beginning of the Year | Additions        | Transfers & Retirements | End of Year         |
|---|-----------------------|------------------|-------------------------|---------------------|
| Leasehold Improvements                  | \$ 4,416              | \$ 156,847       | \$ 4,416                | \$ 156,847          |
| Buildings - Intern Housing              | 409,129               | 115              | -                       | 409,244             |
| Radio Tower                             | 841,883               | -                | -                       | 841,883             |
| Broadcast Equipment                     | <u>237,236</u>        | <u>26,909</u>    | <u>-</u>                | <u>264,145</u>      |
|   | 1,492,664             | 183,871          | 4,416                   | 1,672,119           |
| Accumulated Depreciation & Amortization | <u>(510,815)</u>      | <u>(92,204)</u>  | <u>(4,416)</u>          | <u>(607,435)</u>    |
|   | <u>\$ 981,849</u>     | <u>\$ 91,667</u> | <u>\$ -</u>             | <u>\$ 1,064,684</u> |
|   |                       |                  |                         |                     |
|   |                       |                  |                         |                     |

Depreciation for the year ended 2015 was \$128,706 and 2014 was \$92,204.

#### NOTE 4: LEASE COMMITMENTS

*Facilities* - The Station moved to a new facility in November 2014. The rent commencement date is 180 days after the lease commencement date and the organization began paying rent of this lease in May 2015. It now conducts its operations from facilities that are leased under a ten-year operating Lease expiring November, 2024. There are scheduled rent escalations on each anniversary of the commencement date in 2018, 2021, and 2024. The renewal option associated with this lease allows for extension for a five-year term.

*Tower Rent* - The Station leases broadcasting tower space for the transmission of its radio signals under several operating leases. Certain leases include escalation clauses that range from 3% to 4% per year. These leases include automatic renewal of additional terms following the end of initial terms which end December 2014 and 2015.

The future minimum lease payments required under the above operating leases as of December 31, 2015:

| <u>Year Ending December 31,</u> | <u>Amount</u>    |
|---------------------------------|------------------|
| 2016                            | \$46,306         |
| 2017                            | 47,415           |
| 2018                            | 51,057           |
| 2019                            | 51,982           |
| 2020                            | <u>53,191</u>    |
|                                 | <u>\$249,951</u> |

Rental Expense amounted to \$42,216 in 2015 and \$44,553 in 2014.

# Marfa Public Radio Corporation

## Notes to Audited Financial Statements

For the years ended December 31, 2015 and 2014

### NOTE 5: COMMITMENTS AND CONTINGENCIES

Certain equipment acquired with the Public Telecommunications Facilities Program (PTFP) Grant proceeds is subject to reversionary interest lien for a period of ten (10) years from date of grant which is March 31, 2008. Property acquired with these grant proceeds may not be conveyed, transferred, assigned, mortgaged, leased or in any other manner encumbered by the Station, except as expressly authorized by grantor. The lien expires in 2018.

### NOTE 6: NOTES PAYABLE

The Organization's obligation under notes payable consists of the following:

|   | <u>2015</u>      | <u>2014</u>      |
|---|------------------|------------------|
| 7.75% note payable to Public Radio Fund, LLC, payable in monthly installments with a security interest in substantially all of the acquired assets of KOCV. On November 2, 2015 this note was amended to extend the due date to May 1, 2016 and payment schedule was adjusted accordingly.  | \$40,775         | \$ 53,875        |
| 4.75% variable rate note payable to Marfa National Bank, payable in monthly installments of \$2,949, including interest through November 5, 2018, the annual interest rate change date. In January 2015 the note was reduced by \$95,000 for a sale of a portion of buildings and the principal was adjusted accordingly. After the interest rate change date, interest will be calculated on Prime plus 1% until the maturity date of March 5, 2020. The Note is secured by Deed of Trust on land and buildings. | 139,435          | 268,478          |
| 4.00% note payable to individuals, payable in monthly installments of \$1,017, including interest, through September 5, 2016, with a balloon payment due on October 5, 2016. In January 2015 the note was reduced by \$20,000 for a sale of a portion of buildings and the principal was adjusted accordingly. The Note is secured by a second priority lien Deed of Trust on land, buildings, fixtures and furnishings.  | 36,344           | 56,376           |
| 6.25% variable note payable to TransPecos Banks, payable in monthly installments of \$1,409, including interest, through September 21, 2019, with a balloon payment due on October 21, 2019. The note is guaranteed by the current Landlord and is secured by a first priority lien on leased property including all 2014 leasehold improvements.   | 121,114          | 131,059          |
| Less current portion  | <u>(129,419)</u> | <u>(118,379)</u> |
| Total Notes Payable   | <u>\$208,249</u> | <u>391,409</u>   |

# Marfa Public Radio Corporation

## Notes to Audited Financial Statements

For the years ended December 31, 2015 and 2014

The loan agreements contain various covenants, which among other things, subordinates the landlord's statutory, common law or contractual liens, and places restrictions on the Station's ability to incur additional indebtedness.

The future scheduled maturities of long-term debt are as follows:

Years ending December 31,

|      |  |                  |
|------|--|------------------|
| 2016 |  | \$129,419        |
| 2017 |  | 52,300           |
| 2018 |  | 52,299           |
| 2019 |  | 103,661          |
| 2020 |  | -                |
|      |  | <u>\$337,669</u> |

Interest paid was \$22,083 and \$26,642 for the years ended 2015 and 2014, respectively.

**NOTE 7: CONTRIBUTED GOODS AND SERVICES**

Contributions of donated services that create or enhance non-financial assets or that require specialized skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. The Station receives donated services from unpaid volunteers who assist as on-air personnel and graphics design.

The Station received contributed on-air services during the year ended December 31, 2015 with an estimated fair value on the dates of donation of \$15,922.

The Station received contributed graphics design during the year ended December 31, 2015, with a fair value on the dates of donation of \$4,613.

**NOTE 8: TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are comprised of grants from various entities as set forth in the following table. Terms of the grants dictate how the funds are to be spent.

|                                    | <u>Purpose</u> |                  |
|------------------------------------|----------------|------------------|
| Corporation of Public Broadcasting | 2016 KRTS      | \$ 27,227        |
| Corporation of Public Broadcasting | 2016 KXWT      | <u>20,285</u>    |
|                                    |                | <u>\$ 47,512</u> |
|                                    |                |                  |
|                                    |                |                  |



# Marfa Public Radio Corporation

## Notes to Audited Financial Statements

For the years ended December 31, 2015 and 2014

### **NOTE 9: FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting activities.

### **NOTE 10: SUBSEQUENT EVENTS**

On April 20, 2016, the station sold the remaining Buildings, Intern Housing for consideration of \$360,000. A portion of these proceeds will be used to pay off the mortgage for the Individual and Marfa National Bank.

These financial statements considered subsequent events through April 22, 2016, the date the financial statements were available to be issued.

### **NOTE 11: RELATED PARTY TRANSACTION**

During 2014 the station's leased facility was with the former President of the Board of Directors. This lease was terminated in October 31, 2014 and the station moved to its current location. The Station's current leased facility is not with a Board of Directors member.

For the year ended 2014 facility rent expense to the related party amounted to \$15,400.

**OTHER SUPPLEMENTARY INFORMATION**

**Marfa Public Radio Corporation**  
**KRTS**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2015**

|                          | Programming Services                |                     | Support Services                |   | Total             |
|--------------------------|-------------------------------------|---------------------|---------------------------------|---|-------------------|
|                          | <u>Programming &amp; Production</u> | <u>Broadcasting</u> | <u>Management &amp; General</u> | <u>Fundraising &amp; Membership Development</u> |                   |
| Payroll Costs            | \$ 73,713                           |                     | \$ 49,142                       |   | \$ 122,855        |
| Advertising & Printing   |                                     |                     |                                 | 5,489   | 5,489             |
| Audio & Tech Equipment   |                                     | 4,340               |                                 |   | 4,340             |
| Conferences & Meetings   |                                     |                     |                                 |   | -                 |
| Contract Labor           | 7,829                               |                     | 10,044                          | 480   | 18,353            |
| Depreciation             | 92,468                              |                     | 10,274                          |   | 102,742           |
| Event Fundraiser Expense |                                     |                     |                                 | 1,329   | 1,329             |
| Grant Project Expense    | 2,250                               |                     |                                 |   | 2,250             |
| Insurance                | 6,963                               |                     | 6,963                           |   | 13,926            |
| Interest Expense         |                                     |                     | 9,639                           |   | 9,639             |
| Office & Misc Supplies   |                                     |                     | 23,379                          | 3,324   | 26,703            |
| Professional Fees        |                                     |                     | 18,865                          |   | 18,865            |
| Merchandise              |                                     |                     |                                 | 5,495   | 5,495             |
| Programming              | 35,486                              |                     |                                 |   | 35,486            |
| Rent                     |                                     | 15,007              | 6,180                           |   | 21,187            |
| Repairs & Maintenance    |                                     | 25,332              |                                 |   | 25,332            |
| Travel & Meetings        | 2,508                               | 467                 | 1,102                           | 1,600   | 5,677             |
| Utilities                |                                     | 14,858              | 12,078                          |   | 26,936            |
|                          | <u>\$ 221,217</u>                   | <u>\$ 60,004</u>    | <u>\$ 147,666</u>               | <u>\$ 17,717</u>                                | <u>\$ 446,604</u> |

**Marfa Public Radio Corporation**  
**KXWT**  
**Statement of Functional Expense**  
**For the Year Ended December 31, 2015**

|                          | Programming Services                |                     | Support Services                |   | Total      |
|--------------------------|-------------------------------------|---------------------|---------------------------------|---|------------|
|                          | <u>Programming &amp; Production</u> | <u>Broadcasting</u> | <u>Management &amp; General</u> | <u>Fundraising &amp; Membership Development</u> |            |
| Payroll Costs            | \$ 67,481                           |                     | \$ 44,588                       |   | \$ 112,069 |
| Advertising & Printing   |                                     |                     |                                 | 7,273   | 7,273      |
| Audio & Tech Equipment   |                                     | 4,194               |                                 |   | 4,194      |
| Contract Labor           | 8,777                               |                     | 4,902                           | 30,745  | 44,424     |
| Depreciation             | 23,368                              |                     | 2,596                           |   | 25,964     |
| Event Fundraiser Expense |                                     |                     |                                 | 14,357  | 14,357     |
| Grant Project Expense    | 2,250                               |                     |                                 |   | 2,250      |
| Insurance                |                                     |                     | 13,892                          |   | 13,892     |
| Interest Expense         |                                     |                     | 12,444                          |   | 12,444     |
| Office & Misc Supplies   |                                     |                     | 18,990                          | 3,507   | 22,497     |
| Professional Fees        |                                     |                     | 21,989                          |   | 21,989     |
| Merchandise              |                                     |                     |                                 | 3,698   | 3,698      |
| Programming              | 69,025                              |                     |                                 |   | 69,025     |
| Rent                     |                                     | 12,421              | 8,518                           |   | 20,939     |
| Repairs & Maintenance    |                                     | 13,491              |                                 |   | 13,491     |
| Travel & Meetings        | 2,528                               | 521                 | 3,294                           | 4,512   | 10,855     |
| Utilities                |                                     | 36,959              | 13,812                          |   | 50,771     |
|                          | \$ 173,429                          | \$ 67,586           | \$ 145,025                      | \$ 64,092                                       | \$ 450,132 |

**Marfa Public Radio Corporation**  
**KRTS**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2014**

|                          | Programming Services                |                     | Support Services                |   | Total      |
|--------------------------|-------------------------------------|---------------------|---------------------------------|---|------------|
|                          | <u>Programming &amp; Production</u> | <u>Broadcasting</u> | <u>Management &amp; General</u> | <u>Fundraising &amp; Membership Development</u> |            |
| Payroll Costs            | \$ 89,589                           |                     | \$ 59,726                       |   | \$ 149,315 |
| Advertising & Printing   |                                     |                     |                                 | 3,562   | 3,562      |
| Audio & Tech Equipment   |                                     | 2,940               |                                 |   | 2,940      |
| Contract Labor           | 28,950                              |                     | 10,387                          | 9,804   | 49,141     |
| Depreciation             | 61,088                              |                     | 6,788                           |   | 67,876     |
| Event Fundraiser Expense |                                     |                     |                                 | 23,010  | 23,010     |
| Grant Project Expense    | 8,277                               | 407                 |                                 |   | 8,684      |
| Insurance                |                                     |                     | 21,715                          |   | 21,715     |
| Interest Expense         |                                     |                     | 16,702                          |   | 16,702     |
| Office & Misc Supplies   |                                     |                     | 22,077                          | 2,349   | 24,426     |
| Professional Fees        |                                     |                     | 25,182                          |   | 25,182     |
| Merchandise              |                                     |                     |                                 | 6,753   | 6,753      |
| Programming              | 45,944                              |                     |                                 |   | 45,944     |
| Rent                     |                                     | 5,911               | 15,475                          |   | 21,386     |
| Repairs & Maintenance    |                                     | 4,258               |                                 |   | 4,258      |
| Travel & Meetings        | 2,675                               | 643                 | 4,026                           | 1,150   | 8,494      |
| Utilities                |                                     | 18,067              | 13,672                          |   | 31,739     |
|                          | \$ 236,524                          | \$ 32,226           | \$ 195,750                      | \$ 46,628                                       | \$ 511,127 |

**Marfa Public Radio Corporation**  
**KXWT**  
**Statement of Functional Expense**  
**For the Year Ended December 31, 2014**

|                          | Programming Services                    |                     | Support Services                    |   | Total             |
|--------------------------|---|---------------------|-------------------------------------|---|-------------------|
|                          | <u>Programming &amp;<br/>Production</u> | <u>Broadcasting</u> | <u>Management<br/>&amp; General</u> | <u>Fundraising &amp;<br/>Membership<br/>Development</u> |                   |
| Payroll Costs            | \$ 70,840                               |                     | \$ 47,226                           |   | \$ 118,066        |
| Advertising & Printing   |   |                     |                                     | 1,465   | 1,465             |
| Audio & Tech Equipment   |   | 2,134               |                                     |   | 2,134             |
| Contract Labor           | 15,773                                  |                     | 8,062                               | 37,750  | 61,585            |
| Depreciation             | 21,895                                  |                     | 2,433                               |   | 24,328            |
| Event Fundraiser Expense |   |                     |                                     | 5,876   | 5,876             |
| Grant Project Expense    |   | 500                 |                                     |   | 500               |
| Insurance                |   |                     | 21,524                              |   | 21,524            |
| Interest Expense         |   |                     | 27,439                              |   | 27,439            |
| Office & Misc Supplies   |   |                     | 13,879                              | 1,856   | 15,735            |
| Professional Fees        |   |                     | 25,711                              |   | 25,711            |
| Merchandise              |   |                     |                                     | 1,857   | 1,857             |
| Programming              | 68,553                                  |                     |                                     |   | 68,553            |
| Rent                     |   | 15,467              | 7,700                               |   | 23,167            |
| Repairs & Maintenance    |   | 1,894               |                                     |   | 1,894             |
| Travel & Meetings        | 2,214                                   | 301                 | 4,400                               | 4,273   | 11,188            |
| Utilities                |   | 23,115              | 15,563                              |   | 38,678            |
|                          | <u>\$ 179,275</u>                       | <u>\$ 43,411</u>    | <u>\$ 173,937</u>                   | <u>\$ 53,077</u>  | <u>\$ 449,700</u> |