

# PORCH & ASSOCIATES LLC

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

## NORTHERN NEW MEXICO RADIO FOUNDATION

Financial Statements  
and  
Independent Auditor's Report

December 31, 2014 and 2013

NORTHERN NEW MEXICO RADIO FOUNDATION

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**Independent Auditor's Report**

Board of Directors and Management  
Northern New Mexico Radio Foundation  
Santa Fe, New Mexico

**Report on the Financial Statements**

We have audited the accompanying financial statements of Northern New Mexico Radio Foundation (a not-for-profit corporation) which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and changes in net assets, cash flows, and functional expenses 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 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**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 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, we 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.

Board of Directors and Management  
Northern New Mexico Radio Foundation  
Santa Fe, New Mexico

**Opinion**

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Northern New Mexico Radio Foundation as of December 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matter – December 31, 2013 Financial Statements**

The financial statements of Northern New Mexico Radio Foundation, as of and for the year ended December 31, 2013, were audited by other auditors whose report thereon, dated October 23, 2014, expressed an unqualified opinion.

*Porch & Associates, LLC*

Albuquerque, New Mexico  
August 21, 2015

**NORTHERN NEW MEXICO RADIO FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2014 and 2013**

**ASSETS**

	<u>2014</u>	<u>2013</u>
Current Assets		
Cash and cash equivalents	\$ 95,632	28,261
Accounts receivable, net	12,038	11,723
Government receivables	1,458	7,292
Grant receivable	75,000	-
Pledges receivable	20,000	20,000
Prepaid expenses	13,690	14,686
<b>Total current assets</b>	<u>217,818</u>	<u>81,962</u>
Noncurrent Assets		
Grant receivable	75,000	-
Property and equipment, net	3,888	1,822
<b>Total noncurrent assets</b>	<u>78,888</u>	<u>1,822</u>
<b>Total assets</b>	<u>\$ 296,706</u>	<u>83,784</u>

**LIABILITIES AND NET ASSETS**

Current Liabilities		
Accounts payable and accrued expenses	\$ 46,212	33,313
Payroll and payroll taxes payable	9,840	8,104
Deferred revenue	15,924	11,536
Loan payable to employee	10,000	-
<b>Total current liabilities</b>	<u>81,976</u>	<u>52,953</u>
Net Assets		
Unrestricted	(542)	30,831
Temporarily restricted	215,272	-
<b>Total net assets</b>	<u>214,730</u>	<u>30,831</u>
<b>Total liabilities and net assets</b>	<u>\$ 296,706</u>	<u>83,784</u>

*The accompanying notes are an integral part of these financial statements.*

**NORTHERN NEW MEXICO RADIO FOUNDATION**  
**STATEMENTS OF ACTIVITIES AND**  
**CHANGES IN NET ASSETS**  
**Year Ended December 31, 2014**

	Unrestricted	Temporarily Restricted	Total
Revenues and Support			
Contributions	\$ 297,376	-	297,376
Program underwriting	110,822	-	110,822
Government revenue	17,500	-	17,500
Grants	112,228	215,272	327,500
In-kind donations	57,239	-	57,239
Studio rental	1,700	-	1,700
Miscellaneous income	1,564	-	1,564
Interest	3	-	3
Special events	17,753	-	17,753
Royalty and licensing fees	579	-	579
<b>Total revenues and support</b>	<u>616,764</u>	<u>215,272</u>	<u>832,036</u>
Net assets released from restrictions	-	-	-
<b>Total revenues and support         after release</b>	<u>616,764</u>	<u>215,272</u>	<u>832,036</u>
Expenses			
Program Services:			
KSFR station operations	500,635	-	500,635
Supporting Services:			
Management and administrative	53,717	-	53,717
Fundraising	93,785	-	93,785
<b>Total expenses</b>	<u>648,137</u>	<u>-</u>	<u>648,137</u>
<b>Change in net assets</b>	(31,373)	215,272	183,899
Net assets, beginning of year	<u>30,831</u>	-	<u>30,831</u>
<b>Net assets, end of year</b>	<u>\$ (542)</u>	<u>215,272</u>	<u>214,730</u>

*The accompanying notes are an integral part of these financial statements.*

**NORTHERN NEW MEXICO RADIO FOUNDATION**  
**STATEMENTS OF ACTIVITIES AND**  
**CHANGES IN NET ASSETS**  
**Year Ended December 31, 2013**

	Unrestricted	Temporarily Restricted	Total
Revenues and Support			
Contributions	\$ 308,495	-	<b>308,495</b>
Program underwriting	138,892	-	<b>138,892</b>
Government revenue	26,653	-	<b>26,653</b>
Grants	98,000	-	<b>98,000</b>
In-kind donations	61,560	-	<b>61,560</b>
Studio rental	850	-	<b>850</b>
Miscellaneous income	800	-	<b>800</b>
Interest	4	-	<b>4</b>
Special events	39,511	-	<b>39,511</b>
Royalty and licensing fees	90	-	<b>90</b>
<b>Total revenues and support</b>	<u>674,855</u>	-	<u><b>674,855</b></u>
Net assets released from restrictions	-	-	-
<b>Total revenues and support         after release</b>	<u>674,855</u>	-	<u><b>674,855</b></u>
Expenses			
Program Services:			
KSFR station operations	493,651	-	<b>493,651</b>
Supporting Services:			
Management and administrative	62,658	-	<b>62,658</b>
Fundraising	116,480	-	<b>116,480</b>
<b>Total expenses</b>	<u>672,789</u>	-	<u><b>672,789</b></u>
<b>Change in net assets</b>	2,066	-	<b>2,066</b>
Net assets, beginning of year	<u>28,765</u>	-	<u><b>28,765</b></u>
<b>Net assets, end of year</b>	<u><u>\$ 30,831</u></u>	-	<u><u><b>30,831</b></u></u>

*The accompanying notes are an integral part of these financial statements.*

**NORTHERN NEW MEXICO RADIO FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2014 and 2013**

	<b>2014</b>	2013
Cash Flows From Operating Activities:		
Change in net assets	\$ <b>183,899</b>	2,066
Adjustments to reconcile the change in net assets to net cash flows provided by operating activities		
Depreciation	<b>1,955</b>	16,863
Allowance for doubtful accounts	-	(4,900)
Changes in assets and liabilities		
Accounts receivable	<b>(315)</b>	21,816
Government receivables	<b>5,834</b>	(4,308)
Grant receivable	<b>(150,000)</b>	-
Prepaid expenses	<b>996</b>	(9,145)
Accounts payable and accrued expenses	<b>12,899</b>	12,824
Payroll and payroll taxes payable	<b>1,736</b>	4,757
Deferred revenue	<b>4,388</b>	(16,415)
<b>Net cash flows provided by operating activities</b>	<b>61,392</b>	23,558
Cash Flows From Investing Activities:		
Purchase of equipment	<b>(4,021)</b>	-
Cash Flows From Financing Activities:		
Loan payable to employee	<b>10,000</b>	-
Draws on line of credit	<b>25,000</b>	16,090
Payments on line of credit	<b>(25,000)</b>	(35,050)
<b>Net cash flows provided (used) by financing activities</b>	<b>10,000</b>	(18,960)
<b>Net change in cash</b>	<b>67,371</b>	4,598
Cash and cash equivalents, beginning of year	<b>28,261</b>	23,663
<b>Cash and cash equivalents, end of year</b>	<b>\$ 95,632</b>	28,261
Supplemental Disclosure of Cash Flow Information		
Interest paid	\$ <b>487</b>	1,039
Revenue from donated rent and services	\$ <b>57,239</b>	61,560

*The accompanying notes are an integral part of these financial statements.*

**NORTHERN NEW MEXICO RADIO FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2014**

	KSFR Station Operations	Management and Administrative	Fundraising	Total
Salary and Related Expenses				
Salaries and commissions	\$ 259,643	23,684	67,543	<b>350,870</b>
Payroll taxes	25,093	2,289	6,527	<b>33,909</b>
Employee benefits and expenses	286	26	74	<b>386</b>
<b>Total salary and related expenses</b>	<b>285,022</b>	<b>25,999</b>	<b>74,144</b>	<b>385,165</b>
Other expenses				
Reimbursement expenses	-	-	955	<b>955</b>
Advertising	1,600	-	-	<b>1,600</b>
Bank and credit card charges	91	-	7,048	<b>7,139</b>
Broadcast supplies	314	-	-	<b>314</b>
Contractors	5,203	-	-	<b>5,203</b>
Dues and memberships	626	-	-	<b>626</b>
Fund drive expenses	-	-	1,271	<b>1,271</b>
Insurance	5,366	946	-	<b>6,312</b>
Interest	365	34	88	<b>487</b>
Licenses and fees	930	49	-	<b>979</b>
Miscellaneous	700	93	-	<b>793</b>
Postage	-	850	7,651	<b>8,501</b>
Professional services	16,415	23,283	-	<b>39,698</b>
Programming and website	60,175	-	-	<b>60,175</b>
Promotional merchandise	-	-	1,028	<b>1,028</b>
Special events	9	47	708	<b>764</b>
Station operations	2,929	-	-	<b>2,929</b>
Station operations, small equipment	13,228	-	-	<b>13,228</b>
Supplies	575	1,149	575	<b>2,299</b>
Telecommunications	2,925	123	31	<b>3,079</b>
Tower, Pajarito	46,398	-	-	<b>46,398</b>
<b>Total other expenses</b>	<b>157,849</b>	<b>26,574</b>	<b>19,355</b>	<b>203,778</b>
<b>Total salary and other expenses before non-cash expenses</b>	<b>442,871</b>	<b>52,573</b>	<b>93,499</b>	<b>588,943</b>
Non-cash Expenses				
Depreciation expense	1,955	-	-	<b>1,955</b>
Advertising and other, in-kind	28,639	-	-	<b>28,639</b>
Rent, in-kind	27,170	1,144	286	<b>28,600</b>
<b>Total non-cash expenses</b>	<b>57,764</b>	<b>1,144</b>	<b>286</b>	<b>59,194</b>
<b>Total functional expenses</b>	<b>\$ 500,635</b>	<b>53,717</b>	<b>93,785</b>	<b>648,137</b>

*The accompanying notes are an integral part of these financial statements.*

**NORTHERN NEW MEXICO RADIO FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2013**

	KSFR Station Operations	Management and Administrative	Fundraising	Total
Salary and Related Expenses				
Salaries and commissions	\$ 271,986	24,810	70,753	<b>367,549</b>
Payroll taxes	22,286	2,033	5,797	<b>30,116</b>
Employee benefits and expenses	37	3	10	<b>50</b>
<b>Total salary and related expenses</b>	<b>294,309</b>	<b>26,846</b>	<b>76,560</b>	<b>397,715</b>
Other expenses				
Reimbursement expenses	-	-	7,200	<b>7,200</b>
Advertising	495	-	-	<b>495</b>
Bank and credit card charges	86	-	6,651	<b>6,737</b>
Broadcast supplies	1,231	-	-	<b>1,231</b>
Contractors	850	-	-	<b>850</b>
Dues and memberships	299	-	-	<b>299</b>
Fund drive expenses	-	-	1,965	<b>1,965</b>
Insurance	10,821	1,909	-	<b>12,730</b>
Interest	779	73	187	<b>1,039</b>
Licenses and fees	903	47	-	<b>950</b>
Miscellaneous	1,326	175	-	<b>1,501</b>
Postage	-	267	2,400	<b>2,667</b>
Professional services	21,030	29,824	-	<b>50,854</b>
Programming and website	50,910	-	1,573	<b>52,483</b>
Promotional merchandise	-	-	1,035	<b>1,035</b>
Provision for bad debts	-	-	29	<b>29</b>
Special events	130	650	9,901	<b>10,681</b>
Station operations	2,916	-	-	<b>2,916</b>
Station operations, small equipment	2,929	-	-	<b>2,929</b>
Supplies	471	944	472	<b>1,887</b>
Telecommunications	3,766	159	39	<b>3,964</b>
Tower, Pajarito	31,689	-	-	<b>31,689</b>
Tower, West Alameda	520	-	-	<b>520</b>
<b>Total other expenses</b>	<b>131,151</b>	<b>34,048</b>	<b>31,452</b>	<b>196,651</b>
<b>Total salary and other expenses before non-cash expenses</b>	<b>425,460</b>	<b>60,894</b>	<b>108,012</b>	<b>594,366</b>
Non-cash Expenses				
Depreciation expense	16,863	-	-	<b>16,863</b>
Advertising and other, in-kind	24,158	-	2,600	<b>26,758</b>
Postage, in-kind	-	620	5,582	<b>6,202</b>
Rent, in-kind	27,170	1,144	286	<b>28,600</b>
<b>Total non-cash expenses</b>	<b>68,191</b>	<b>1,764</b>	<b>8,468</b>	<b>78,423</b>
<b>Total functional expenses</b>	<b>\$ 493,651</b>	<b>62,658</b>	<b>116,480</b>	<b>672,789</b>

*The accompanying notes are an integral part of these financial statements.*

**NORTHERN NEW MEXICO RADIO FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years ended December 31, 2014 and 2013**

**NOTE 1. SUMMARY OF ACCOUNTING POLICIES**

*Nature of Organization.* Northern New Mexico Radio Foundation (Foundation) is a not-for-profit New Mexico corporation organized under the laws of the State of New Mexico in 1996. The purpose of the Foundation is to manage and operate a public non-commercial radio station, KSFR (101.1 FM). KSFR serves the public interest by providing cultural, entertainment, and educational radio broadcast programs for the Santa Fe area and surrounding community. The station's support comes primarily from individual contributions, underwriting contributions, foundation grants, and state and city grants.

In 2001, the Foundation entered into a Management Agreement (Agreement) with Santa Fe Community College (College) for the operation of KSFR (Station). Pursuant to the Agreement, the Foundation assumed responsibility for the management and operation of the Station, while the College retains the Federal Communication Commission (FCC) licensee of the Station.

*Basis of Accounting.* The financial statements of the Foundation are prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

*Concentrations of Risk.* The Foundation maintains cash and cash equivalents with financial institutions. At times such amounts may exceed FDIC limits. The Foundation limits the amount of credit exposure with any one financial institution and believes that no significant credit risk exists with respect to cash and cash equivalents. The Foundation's cash balances at December 31, 2014 were covered by FDIC insurance.

*Basis of Presentation.* The Foundation's financial statements are presented in accordance with the Financial Accounting Standards Board Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities, Presenting Financial Statements*. Under ASC 958-205, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. No permanently restricted assets were held during the year; accordingly, these financial statements do not reflect any activity related to this class of net assets.

*Allowance for Doubtful Accounts.* Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Foundation has an allowance for doubtful accounts in the amount of \$600 at December 31, 2014 and 2013.

**NORTHERN NEW MEXICO RADIO FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years ended December 31, 2014 and 2013**

**NOTE 1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

*Property and Equipment, net.* The Foundation capitalizes expenditures over \$1,000 with a useful life greater than one year. Property and equipment is recorded at cost if purchased or fair value if donated. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Amortization and depreciation is calculated using the straight-line method over the estimated useful lives, which range from five to ten years.

Certain property may be purchased with government grants, restrictive financing agreements, or under the terms of the Agreement with the College. If these assets were to be sold by the Foundation or not used for their intended charitable purpose, repayment may be required or the property may be required to be returned to the College or other entity upon cessation of the Agreement with the Foundation.

*Accounts, Government, Grants and Pledges Receivable.* The Foundation's receivables are principally due from members, donors and sponsors. Receivables are due on receipt for most membership donations. Receivables from sponsors for underwriting agreements are due per predetermined payment schedules related to underwriting program placement. Receivables are included in the statement of financial position at amounts due net of an allowance for doubtful accounts. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance. Allowances for uncollectible receivables are based on analysis and aging of receivables. Pledges receivable represent amounts pledged by the public during periodic fundraising drives held by the Foundation that are paid thereafter by monthly installment. Grants receivable represent unconditional pledges by corporations, private foundations or other grantors. Government revenue receivables represent amounts collectible under broadcasting service agreements with government entities.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purpose are reported as temporarily restricted. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted.

*Cash Flow Information.* The Foundation considers all cash accounts, savings accounts, and short-term investments with an original maturity of three months or less to be cash equivalents.

**NORTHERN NEW MEXICO RADIO FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years ended December 31, 2014 and 2013**

**NOTE 1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

*Net Assets.* Net assets are composed of the following:

*Unrestricted Net Assets* – net assets that are not subject to restrictions. Unrestricted contributions are recorded as income when constructively received.

*Temporarily Restricted Net Assets* – net assets that are subject to restrictions imposed by donors, grantors or contract provision that may or will be met by the occurrence of a specific event or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*Revenue Recognition:*

*Contributions* - Unrestricted contributions are recognized when cash or ownership of donated assets is unconditionally promised to the Foundation. The Foundation recognizes gifts of cash and other assets as temporarily restricted if they are received with donor stipulations of purpose or time.

*Program Underwriting* – Revenue for program underwriting is deferred and recognized on a pro rata basis for the contractual period covered. The Foundation considers these contributions as conditional gifts in the year received or pledged and defers this revenue as the gift may be returned if the program sponsorship is not completed.

*Support from Governmental Agencies* - The Foundation recognizes revenue from governmental agencies as it is earned and is reported as unrestricted revenue.

*Royalties and Licensing Fees* - The Foundation recognizes income for royalties and licensing fees from the use of its intellectual property. Revenue is recognized as earned based on contractual agreements or when its intellectual property is made available for use.

*Barter transactions* – The Foundation records revenue and expense for barter transactions, if any, based on the estimated fair value of goods and services exchanged during the year.

*Special events* – Revenues and expenses relating to special events are recognized in the period the event takes place.

**NORTHERN NEW MEXICO RADIO FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years ended December 31, 2014 and 2013**

**NOTE 1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

Revenue Recognition (Continued):

*Contributed Materials and Services:* The Foundation receives in-kind donations of facilities, services, advertising and supplies. Contributions of facilities and supplies are recorded at their estimated fair values at the date of donation. Donated services that (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would otherwise be purchased by the Foundation if not provided by donation, are recorded at their fair values in the period received.

*Licensed Program Rights:* Licensed program rights are recorded at cost. These programs are expensed on a straight-line basis over the period of the license agreement and are included in prepaid expenses in the accompanying financial statements.

*Advertising.* The Foundation follows the policy of charging the costs of advertising to expense as incurred.

*Functional Expense Allocation.* The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets, and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

*Use of Estimates.* The preparation of 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 disclosure of contingent assets and liabilities at the date of the financial statements.

Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual events and results could differ from those assumptions and estimates.

**NORTHERN NEW MEXICO RADIO FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years ended December 31, 2014 and 2013**

**NOTE 1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

*Income Taxes.* The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and the Statutes of New Mexico. The Foundation's open audit periods are fiscal years 2012 through 2014 (generally three years after filing). In addition, the Foundation has been classified as other than a private foundation.

The Financial Accounting Standards Board has issued ASC 740-10 (formerly known as FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes), which prescribes a comprehensive model for how an organization should measure, recognize, present, and disclose in its financial statements uncertain tax positions that an organization has taken or expects to take on a tax return. The Foundation has no uncertain tax positions.

**NOTE 2. RECEIVABLES**

*Accounts Receivable, Net.* The Foundation had \$12,638 and \$12,323 in accounts receivable associated with underwriting revenue at December 31, 2014 and 2013, respectively. Management has established a \$600 allowance for doubtful accounts related to underwriting revenues at December 31, 2014 and 2013, respectively.

*Government Receivable.* The Foundation had \$1,458 and \$7,292 in government receivables at December 31, 2014 and 2013, respectively. Management has not established an allowance for doubtful accounts for government receivables.

*Grant Receivable.* The Foundation had \$150,000 and \$0 in grant receivables at December 31, 2014 and 2013, respectively. Management has not established an allowance for doubtful accounts for grant receivables.

*Pledges Receivable.* The Foundation has \$20,000 in pledges receivable at December 31, 2014 and 2013. Pledges receivable represent pledges made during the calendar year that are estimated will be paid in monthly installments during the next calendar year. Management has not established an allowance for doubtful accounts for pledges receivable.

**NORTHERN NEW MEXICO RADIO FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years ended December 31, 2014 and 2013**

**NOTE 3. PROPERTY AND EQUIPMENT, NET**

Property and equipment, net, consists of the following:

	2013	Additions	Deletions	2014
Signal upgrade	\$ 86,056	-	-	<b>86,056</b>
Studio improvements and equipment	40,845	4,021	-	<b>44,866</b>
Total	126,901	4,021	-	<b>130,922</b>
Accumulated depreciation	(125,079)	(1,955)	-	<b>(127,034)</b>
	<u>\$ 1,822</u>	<u>2,066</u>	<u>-</u>	<u><b>3,888</b></u>

Depreciation expense was \$1,955 and \$16,863 for the years ended December 31, 2014 and 2013, respectively.

**NOTE 4. LINE OF CREDIT**

The Foundation maintains a one year line of credit agreement with a bank which permits the Foundation to borrow up to \$25,000 at a variable interest rate based on the Wall Street Journal Prime rate, with a minimum interest rate of 6%. The balance on the line of credit was \$0 as of December 31, 2014 and 2013, respectively.

**NOTE 5. LOAN PAYABLE TO EMPLOYEE**

The Foundation received \$10,000 from an employee to help the Foundation with short term cash flow needs. The loan does not have a written agreement, does not carry interest, and does not have repayment terms. No interest has been imputed on the loan during the year ending December 31, 2014.

**NOTE 6. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31, 2014 consist of a grant in the amount of \$225,000 for which the foundation has received \$75,000. The remaining grant balance will be received in subsequent years. Of the \$75,000 received, only \$9,728 has been spent on the grants restricted purpose.

**NOTE 7. RELATED PARTY TRANSACTIONS**

The Foundation owed an employee \$31,866 and \$6,785 in unreimbursed expenses at December 31, 2014 and 2013, respectively. The balance included in accounts payable at Dec. 31, 2014 and 2013, respectively.

**NORTHERN NEW MEXICO RADIO FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years ended December 31, 2014 and 2013**

**NOTE 8. LEASE COMMITMENTS**

The Foundation has a lease commitment with a third party to rent tower space. The Foundation pays approximately \$1,500 per month for the tower space.

**NOTE 9. COMMITMENTS AND CONTINGENCIES**

*FCC License.* The Foundation has an operating agreement with Santa Fe Community College. Under the agreement, the College, the holder of a Federal Communications Commission (FCC) license, has engaged the Foundation to undertake the management and operation of the Station KSFR, White Rock, 101.1 FM. The College may terminate its agreement with the Foundation if the Station is operated contrary to the requirements of the FCC licenses or applicable laws, rules and regulations and if the Foundation is operating the Station in a manner that is likely to have a negative financial impact on the College.

*Geographical Concentration.* The Foundation's operations are limited to Santa Fe and Northern New Mexico.

*Government Grants.* Amounts received and expended by the Foundation under various governmental award programs are subject to audit by governmental agencies. In the opinion of management, changes arising from such audits, if any, will not have a significant effect on its financial position.

*Economic Dependency.* The Foundation receives a significant portion of its support and revenues from its donor base and is, therefore, subject to possible loss of funding due to changes in general economic conditions and donor discretion. The Foundation received approximately 36% and 46% of its revenues from its donor base for the years ended December 31, 2014 and 2013, respectively.

In addition, the Foundation receives a significant portion of its revenues from grants and is, therefore, subject to possible loss of revenue due to the loss of current grants or the inability to secure future grants. The Foundation received approximately 40% and 15% of its revenues from grants for the years ended December 31, 2014 and 2013, respectively.

*Risk Management.* The Foundation is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. The Foundation has obtained commercial insurance coverage to protect itself against such losses.

**NORTHERN NEW MEXICO RADIO FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years ended December 31, 2014 and 2013**

**NOTE 10. DONATED ASSETS AND SERVICES**

Generally accepted accounting principles requires that professional service hours (attorney, accountants, doctors... etc.) be recorded in the financial statements, but not volunteer hours. Volunteers and board members have donated significant amounts of their time in the Foundation. The value of these hours could not be estimated and is not recorded in the financial statements.

For the year ended December 31, 2014, in-kind contributions consisted of rent valued at \$28,600 and advertising and other items in the amount of \$28,639. For the year ended December 31, 2013, in-kind contributions consisted of rent valued at \$28,600, postage valued at \$6,202, and advertising and other items in the amount of \$26,758.

**NOTE 11. SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued or are available to be issued. The Foundation recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Foundation's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet, but arose after the balance sheet date and before financial statements are available to be issued.

The Foundation has evaluated subsequent events through August 21, 2015, which is the date the financial statements are available to be issued and had not identified any material subsequent events.