

**Northern New Mexico Radio Foundation
d/b/a KSFR Radio**

FINANCIAL STATEMENTS

**December 31, 2019
(With Comparative Totals for 2018)**

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Northern New Mexico Radio Foundation
d/b/a KSFR Radio

We have audited the accompanying financial statements of Northern New Mexico Radio Foundation d/b/a KSFR Radio (the Foundation) (a non-profit organization), which comprise the statement of financial position as of December 31, 2019 and the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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 Foundation'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 Foundation'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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to present fairly, in all material respects, the financial position of the Foundation as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Foundation as of December 31, 2018, from which the summarized comparative information was derived, were audited by other auditors whose report dated August 13, 2019 expressed an unmodified opinion on those statements.

PULAKOS CPAs, PC

November 1, 2020

Pulakos CPAs, PC

**Northern New Mexico Radio Foundation
d/b/a KSFR Radio**

STATEMENTS OF FINANCIAL POSITION

**December 31, 2019
(With Comparative Totals for 2018)**

Assets

	2019	2018
Current assets		
Cash and cash equivalents	\$ 55,144	\$ 32,475
Accounts receivable, net	29,522	14,987
Grants receivable, net	29,173	109,497
Other assets	6,322	3,508
Total current assets	120,161	160,467
Property, furniture and equipment, net	6,183	8,622
Total assets	\$ 126,344	\$ 169,089

Liabilities and Net Assets

Current liabilities		
Accounts payable	\$ 55,150	\$ 62,327
Payroll and payroll taxes payable	16,440	15,950
Accrued liabilities	3,612	1,817
Notes payable	20,000	22,540
Funds held-for-others	3,007	2,949
Total current liabilities	98,209	105,583
Net assets		
Without donor restrictions	(1,038)	(45,991)
With donor restrictions	29,173	109,497
Total net assets	28,135	63,506
Total liabilities and net assets	\$ 126,344	\$ 169,089

Northern New Mexico Radio Foundation
d/b/a KSFR Radio

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2019
(With Comparative Totals for 2018)

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenues				
Grants	\$ 135,009	\$ 29,173	\$ 164,182	\$ 214,549
Contributions	249,351	-	249,351	198,745
Program underwriting	80,447	-	80,447	80,640
In-kind donations	2,064	-	2,064	41,116
Government revenue	17,500	-	17,500	17,500
Studio rental	750	-	750	1,450
Special events, net of donor benefit	1,620	-	1,620	80
Miscellaneous income	2,737	-	2,737	465
Net assets released from restrictions	109,497	(109,497)	-	-
Total support and revenues	598,975	(80,324)	518,651	554,545
Expenses				
Program services:				
KSFR station operations	370,739	-	370,739	389,796
Total program services	370,739	-	370,739	389,796
Supporting services:				
Management and general	131,850	-	131,850	80,772
Fundraising	51,433	-	51,433	91,193
Total supporting services	183,283	-	183,283	171,965
Total expenses	554,022	-	554,022	561,761
Change in net assets	44,953	(80,324)	(35,371)	(7,216)
Net assets, beginning of year	(45,991)	109,497	63,506	70,722
Net assets, end of year	<u>\$ (1,038)</u>	<u>\$ 29,173</u>	<u>\$ 28,135</u>	<u>\$ 63,506</u>

**Northern New Mexico Radio Foundation
d/b/a KSFR Radio**

STATEMENTS OF FUNCTIONAL EXPENSES

**Year Ended December 31, 2019
(With Comparative Totals for 2018)**

	Program Services	Supporting Services		2019 Total Expenses	2018 Total Expenses
	KSFR Station Operations	Management and General	Fundraising		
Expenses					
Salaries and benefits	\$ 161,997	\$ 78,195	\$ 36,539	\$ 276,731	\$ 288,107
Contractors	40,198	347	-	40,545	22,074
Tower, Pajarito	36,293	-	-	36,293	30,944
Programming and website	37,205	-	-	37,205	58,474
Payroll taxes	19,779	7,044	3,400	30,223	24,752
Professional services	-	22,786	-	22,786	20,287
Website hosting	17,903	-	-	17,903	-
Insurance	15,485	-	-	15,485	10,542
Software	13,160	-	-	13,160	6,968
Station operations	11,239	-	-	11,239	2,101
Supplies	997	7,542	-	8,539	3,818
Bad debt expense	-	7,654	-	7,654	-
Bank and credit card charges	7,517	-	-	7,517	6,626
Tower, West Alameda	6,000	-	-	6,000	7,266
Advertising	-	-	5,360	5,360	9,757
In-kind, rent, advertising, and other	-	2,373	1,899	4,272	41,116
Miscellaneous	-	2,732	-	2,732	6,538
Depreciation	2,439	-	-	2,439	2,454
Dues and memberships	-	2,380	-	2,380	2,523
Fund drive expenses	-	-	2,295	2,295	645
Postage	-	-	1,940	1,940	1,489
Penalites	-	797	-	797	1,060
Licenses and fees	324	-	-	324	4,492
Interest	203	-	-	203	456
Printing	-	-	-	-	4,978
Promotional merchandise	-	-	-	-	1,500
Station operations, small equipment	-	-	-	-	468
Telecommunications	-	-	-	-	2,326
Total functional expenses	\$ 370,739	\$ 131,850	\$ 51,433	\$ 554,022	\$ 561,761

Northern New Mexico Radio Foundation
d/b/a KSFR Radio

STATEMENTS OF CASH FLOWS

Year Ended December 31, 2019
(With Comparative Totals for 2018)

	2019	2018
Operating activities		
Change in net assets	\$ (35,371)	\$ (7,216)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	2,439	2,454
Bad debt expense	7,654	-
Note payable converted to contribution	(22,540)	-
Prior period adjustments	-	33,584
Changes in net assets and liabilities		
Accounts receivable, net	80,324	10,734
Grants receivable, net	(22,189)	(7,050)
Other assets	(2,814)	-
Accounts payable	(7,177)	8,786
Payroll and payroll taxes payable	490	(21,575)
Accrued liabilities	1,795	1,817
Funds held-for-others	58	-
	2,669	21,534
Net cash provided by operating activities		
Investing activities		
Purchases of property and equipment	-	(5,168)
	-	(5,168)
Net cash used by investing activities		
Financing activities		
Borrowings on notes payable	20,000	-
	20,000	-
Net cash flows provided by financing activities		
Change in cash and equivalents	22,669	16,366
Cash and equivalents, beginning of year	32,475	16,109
Cash and equivalents, end of year	\$ 55,144	\$ 32,475

**Northern New Mexico Radio Foundation
d/b/a KSFR Radio**

NOTES TO FINANCIAL STATEMENTS

**December 31, 2019
(With Comparative Totals for 2018)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Program

Northern New Mexico Radio Foundation d/b/a KSFR Radio (the Foundation) was formed in 1996 as a nonprofit corporation. 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 programs to the Santa Fe area and surrounding community. The station's support comes primarily from individual contributions, underwriting contributions, foundation grants, and city contracts.

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

Basis of Presentation

The financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP), which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities and changes in net assets.

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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Northern New Mexico Radio Foundation
d/b/a KSFR Radio**

NOTES TO FINANCIAL STATEMENTS

**December 31, 2019
(With Comparative Totals for 2018)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial Statement Presentation

Certain reclassifications were made to the 2018 financial statements to conform with the 2019 presentation.

Accounts and Grants Receivables

The Foundation utilizes the allowance method for receivable valuation and for estimated collectability. The allowance is based on experience and other circumstances which may affect the collectability of the account. Balances that are still outstanding after management has used reasonable collection efforts are written off. All receivables were considered fully collectible as of December 31, 2019 and 2018, and therefore no such allowance was recorded as of those dates.

Property and Equipment

Property and equipment are recorded at cost if purchased or, if donated, at its estimated fair value on the date of donation. Donations of property and equipment are recorded as contributions at their estimated fair value. Depreciation is recorded on the straight-line basis over the estimated useful lives of the assets, which range from 5 to 10 years. The Foundation capitalizes all expenditures for property and equipment in excess of \$1,000. Depreciation expense was \$2,439 and \$2,454 in 2019 and 2018, respectively.

Certain property may be purchased with government grants, restrictive financing agreements, or under the terms of an 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.

Revenue Recognition

Support from contributions, grants and special events is recognized when awarded, earned, or when expenditures have been incurred in accordance with provisions of the contributions and special event. Program service fee revenue is recognized when the service is performed. Revenue for program underwriting is recognized on a pro rata basis over the contractual period covered. Monies received but not earned during the fiscal year are recorded as deferred revenue.

Donated Assets and Services

Donated assets and services are recorded at their estimated fair values as of the date of contribution and capitalized if exceeding the Foundation's threshold policy. Contributions of services are recognized in the financial statements if the services received enhance or create non-financial assets, require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Some services are provided by volunteers who perform a variety of tasks that benefit the Foundation but are not recorded, as they do not meet the above criteria.

**Northern New Mexico Radio Foundation
d/b/a KSFR Radio**

NOTES TO FINANCIAL STATEMENTS

**December 31, 2019
(With Comparative Totals for 2018)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2019 and 2018 was \$5,360 and \$10,486, respectively.

Income Taxes

The Foundation is a nonprofit organization and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is not classified by the Internal Revenue Service as a private foundation. The Foundation has adopted accounting principles generally accepted in the United States of America, as they relate to uncertain tax positions, and has evaluated its tax positions taken for open tax years. Management believes that all activities of the Foundation are within their tax-exempt purpose, and that there are no uncertain tax positions. Any interest and penalties recognized associated with a tax position are classified as current in the Foundation's financial statements. There were no interest or penalties recorded as of December 31, 2019 or 2018.

Functional Allocation of Expenses

Expenses are charged directly to program and supporting services categories based on specific identification. Costs benefiting more than one program or service are allocated based on measures such as management's estimates of time spent.

New Accounting Pronouncements

Revenue from Contracts with Customers – The Foundation has adopted Accounting Standards Update (ASU) No. 2014-09 – Revenue from Contracts with Customers (Topic 606), as amended. Analysis of various provisions of this standard resulted in no significant changes in the way the Foundation recognizes revenue and therefore, no changes to the previously issued audited financial statements were required on a retrospective basis.

Contributions Received and Contributions Made – The Foundation has adopted Accounting Standards Update (ASU) No. 2018-08 – Not-for-Profit Entities: Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 605). The standard is applied prospectively. There were no changes to previously unrecognized promises to give as a result of this new standard.

Subsequent Events

The Foundation has evaluated all events occurring subsequent to December 31, 2019 through November 1, 2020, which is the date that the financial statements were issued and does not believe that any events occurring during this period require either recognition or disclosure in the accompanying financial statements.

**Northern New Mexico Radio Foundation
d/b/a KSFR Radio**

NOTES TO FINANCIAL STATEMENTS

**December 31, 2019
(With Comparative Totals for 2018)**

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Foundation 's financial assets as December 31, 2019 and 2018:

	2019	2018
Cash and cash equivalents	\$ 55,144	\$ 32,475
Accounts receivable, net	29,672	14,987
Grants receivable, net	29,173	109,497
Total financial assets	113,989	156,959
Less amounts not available to be used within one year:		
Net assets with donor restrictions	29,173	109,497
Financial assets available to meet cash needs for general expenditure within one year from December 30, 2019 and 2018	\$ 84,816	\$ 47,462

The Foundation manages its cash flow and liquidity on an on-going basis to ensure that sufficient funds are available to cover current operational needs. The Foundation’s goal is generally to maintain a level of financial assets sufficient to cover 90 days of operating expenses. As part of its liquidity plan, the Foundation is continuously evaluating the amount of cash on hand and expected to be collected within 30 days, against current financial obligations.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2019 and 2018:

	2019	2018
Property and equipment	\$ 141,017	\$ 141,017
Less accumulated depreciation	(134,834)	(132,395)
Total property, furniture and equipment, net	\$ 6,183	\$ 8,622

**Northern New Mexico Radio Foundation
d/b/a KSFR Radio**

NOTES TO FINANCIAL STATEMENTS

**December 31, 2019
(With Comparative Totals for 2018)**

NOTE 4 – NOTES PAYABLE

In 2014, the Foundation borrowed funds from an employee to help the Foundation with short-term cash flow needs. This note did not carry interest or have stated repayment terms. During 2019, the balance on this note of \$22,540 was forgiven by the lender and was therefore recorded as contribution revenue at that time. The balance on this note was zero and \$22,540 as of December 31, 2019 and 2018, respectively.

During 2019, the Foundation borrowed \$20,000 from a member of the Board of Directors to help with short-term cash flow needs. This note does not carry interest and does not have repayment terms. The balance of the loan was \$20,000 as of December 31, 2019.

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Corporation for Public Broadcasting	\$ 29,173	\$ 109,497

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors were \$109,497 and \$114,546 for the years ended December 31, 2019 and 2018, respectively.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

FCC License

The Foundation has an operating agreement with the College. Under the agreement, the College, the holder of a 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, or if the Foundation is operating the Station in a manner that is likely to have a negative financial impact on the college.

Major Funder

The Foundation receives significant recurring funding from a significant funder. Total funding received from this organization was approximately \$152,000 and \$154,000 in 2020 and 2019, respectively.

**Northern New Mexico Radio Foundation
d/b/a KSFR Radio**

NOTES TO FINANCIAL STATEMENTS

**December 31, 2019
(With Comparative Totals for 2018)**

NOTE 6 – COMMITMENTS AND CONTINGENCIES – CONTINUED

Operating Leases

The Foundation has a lease commitment with a third-party for tower space. The Foundation pays approximately \$900 a month with a 5% increase every year starting in 2021. The lease expires in December 2023. The Foundation also leases other tower space activity under a month-to-month arrangement that calls for monthly payments of \$1,728. Total rent expense under these leases was \$25,212 and \$18,286 in 2019 and 2018, respectively. The future remaining lease payments under these lease agreements is as follows:

Years ended December 31:	
2020	\$ 10,800
2021	10,962
2022	11,126
2023	<u>11,293</u>
Total	<u>\$ 44,181</u>

COVID-19 Pandemic

The Secretary for the New Mexico Department of Health has mandated temporary closing of businesses that were deemed non-essential and requested citizens to adopt certain behavioral changes in response to the worldwide COVID-19 pandemic. At a national and international level, government restrictions on travel and the behavioral changes by the public due to COVID-19 outbreaks across the globe are negatively impacting various industries and the world markets. While the disruption is expected to be temporary, there is considerable uncertainty around the duration and ultimate financial impact of these actions.

NOTE 7 – FUTURE ACCOUNTING PRONOUNCEMENTS

Effective for its annual financial statements for 2022, the Foundation is subject to new accounting standards issued by FASB that will require significant changes in accounting for operating leases under which the Foundation is lessee. Upon adoption, among other effects, the Foundation will be required to record assets and liabilities for all operating lease obligations with terms of 12 months or greater. These changes will entail certain retrospective adjustments. The qualitative effects on the Foundation's future financial statements of these changes and related retrospective adjustments have not yet been determined.