

Marfa Public Radio Corporation

(a nonprofit Texas corporation)

Financial Statements

December 31, 2022 and 2021

Marfa Public Radio Corporation

Table of Contents

Independent Auditor's Report	Pages 1-3
Statements of Financial Position December 31, 2022 and 2021	Page 4
Statement of Activities Year ended December 31, 2022	Page 5
Statement of Activities Year ended December 31, 2021	Page 6
Statement of Functional Expenses Year ended December 31, 2022	Page 7
Statement of Functional Expenses Year ended December 31, 2021	Page 8
Statements of Cash Flows Years ended December 31, 2022 and 2021	Page 9
Notes to Financial Statements	Pages 10-18
<u>Supplementary Information</u>	
Schedule of Revenue and Expenses - KRTS-FM Year ended December 31, 2022	Page 19
Schedule of Revenue and Expenses - KXWT-FM Year ended December 31, 2022	Page 20

Independent Auditor's Report

To the Board of Directors
Marfa Public Radio Corporation
Marfa, Texas

Opinion

We have audited the financial statements of Marfa Public Radio Corporation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Marfa Public Radio Corporation as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Marfa Public Radio Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2022, Marfa Public Radio Corporation adopted Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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, and for 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.

Independent Auditor's Report (continued)

Responsibilities of Management for the Financial Statements (continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Marfa Public Radio Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Marfa Public Radio Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Marfa Public Radio Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of revenue and expenses - KRTS-FM and KXWT-FM are presented for purposes of additional analysis and are not a required part of the financial statements.

Independent Auditor's Report (continued)

Supplementary Information (continued)

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 our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Brock and Company, CPAs, P.C.

Certified Public Accountants

Longmont, Colorado

May 12, 2023

Marfa Public Radio Corporation

Statements of Financial Position

December 31	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,013,673	\$ 1,237,597
Accounts receivable	5,022	8,245
Contributions receivable	30,488	21,569
Other receivable	20,000	-
Prepaid expenses	33,710	21,222
Total current assets	<u>1,102,893</u>	<u>1,288,633</u>
Property and Equipment, at cost	<u>911,103</u>	<u>959,752</u>
Other Assets		
Right-of-use operating lease assets	189,158	-
Broadcast licenses	392,207	392,207
Total other assets	<u>581,365</u>	<u>392,207</u>
Total assets	<u><u>\$ 2,595,361</u></u>	<u><u>\$ 2,640,592</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 49,567	\$ 36,821
Accrued compensation and benefits	29,163	21,517
Deferred revenue	29,255	5,679
Current maturities of operating lease obligations	26,748	-
Current maturities of note payable	13,912	13,268
Total current liabilities	<u>148,645</u>	<u>77,285</u>
Long-Term Liabilities		
Operating lease obligations, net of current maturities	194,400	-
Note payable, net of current maturities	242,583	256,318
Total long-term liabilities	<u>436,983</u>	<u>256,318</u>
Total liabilities	<u>585,628</u>	<u>333,603</u>
Net Assets		
Without donor restrictions	1,968,569	2,283,420
With donor restrictions	41,164	23,569
Total net assets	<u>2,009,733</u>	<u>2,306,989</u>
Total liabilities and net assets	<u><u>\$ 2,595,361</u></u>	<u><u>\$ 2,640,592</u></u>

The accompanying Notes are an integral
part of these financial statements

Marfa Public Radio Corporation

Statement of Activities

Year ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenue			
Support			
Grants and contributions	\$ 662,073	\$ 51,164	\$ 713,237
Membership dues	375,169	-	375,169
In-kind contributions	9,650	-	9,650
Net assets released from restrictions			
Satisfaction of purpose restrictions	2,000	(2,000)	-
Expiration of time restrictions	31,569	(31,569)	-
Total operating support	<u>1,080,461</u>	<u>17,595</u>	<u>1,098,056</u>
Revenue			
Underwriting fees	<u>41,291</u>	<u>-</u>	<u>41,291</u>
Total operating support and revenue	<u>1,121,752</u>	<u>17,595</u>	<u>1,139,347</u>
Operating Expenses			
Program services			
Programming and production	603,435	-	603,435
Broadcasting	305,148	-	305,148
Supporting services			
General and administrative	361,039	-	361,039
Fundraising	<u>194,790</u>	<u>-</u>	<u>194,790</u>
Total operating expenses	<u>1,464,412</u>	<u>-</u>	<u>1,464,412</u>
Total operating support and revenue in excess (deficit) of operating expenses	<u>(342,660)</u>	<u>17,595</u>	<u>(325,065)</u>
Other Changes			
Rental income	25,884	-	25,884
Merchandise sales, net	1,000	-	1,000
Interest and other income	925	-	925
Loss on disposal of assets	-	-	-
Total other changes	<u>27,809</u>	<u>-</u>	<u>27,809</u>
Change in Net Assets	(314,851)	17,595	(297,256)
Net Assets, Beginning of Year	<u>2,283,420</u>	<u>23,569</u>	<u>2,306,989</u>
Net Assets, End of Year	<u>\$ 1,968,569</u>	<u>\$ 41,164</u>	<u>\$ 2,009,733</u>

The accompanying Notes are an integral
part of these financial statements

Page 5

Marfa Public Radio Corporation

Statement of Activities

Year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenue			
Support			
Grants and contributions	\$ 1,367,358	\$ 21,569	\$ 1,388,927
Membership dues	299,264	-	299,264
In-kind contributions	181,350	-	181,350
Special event revenue	5,000	-	5,000
Net assets released from restrictions			
Expiration of time restrictions	3,957	(3,957)	-
Total operating support	1,856,929	17,612	1,874,541
Revenue			
Underwriting fees	38,494	-	38,494
Total operating support and revenue	1,895,423	17,612	1,913,035
Operating Expenses			
Program services			
Programming and production	471,700	-	471,700
Broadcasting	213,530	-	213,530
Supporting services			
General and administrative	361,740	-	361,740
Fundraising	157,808	-	157,808
Total operating expenses	1,204,778	-	1,204,778
Total operating support and revenue in excess of operating expenses	690,645	17,612	708,257
Other Changes			
Forgiveness of debt	171,700	-	171,700
Rental income	16,735	-	16,735
Interest and other income	350	-	350
Total other changes	188,785	-	188,785
Change in Net Assets	879,430	17,612	897,042
Net Assets, Beginning of Year	1,403,990	5,957	1,409,947
Net Assets, End of Year	\$ 2,283,420	\$ 23,569	\$ 2,306,989

The accompanying Notes are an integral
part of these financial statements

Page 6

Marfa Public Radio Corporation

Statement of Functional Expenses

Year ended December 31, 2022

	Program Services			Supporting Services			
	Programming and Production	Broadcasting	Total	General and Administrative	Fundraising	Total	Total
Salaries and wages	\$ 296,188	\$ 60,385	\$ 356,573	\$ 89,359	\$ 88,782	\$ 178,141	\$ 534,714
Employee benefits	23,083	5,000	28,083	13,035	8,082	21,117	49,200
Payroll taxes	25,947	5,153	31,100	8,604	7,706	16,310	47,410
Total personnel costs	345,218	70,538	415,756	110,998	104,570	215,568	631,324
Contract labor	93,610	24,732	118,342	57,808	51,321	109,129	227,471
Occupancy	-	116,360	116,360	25,249	-	25,249	141,609
Programming	135,125	-	135,125	-	-	-	135,125
Legal and professional	-	-	-	69,312	-	69,312	69,312
Depreciation	7,644	51,110	58,754	1,960	1,911	3,871	62,625
Information technology	817	16,235	17,052	15,450	10,314	25,764	42,816
Insurance	-	5,748	5,748	29,828	-	29,828	35,576
Travel and meetings	9,252	1,186	10,438	15,709	5,446	21,155	31,593
Equipment, repairs and maintenance	3,263	17,206	20,469	214	-	214	20,683
Dues and licenses	8,001	-	8,001	8,742	3,546	12,288	20,289
Interest expense	-	-	-	12,695	-	12,695	12,695
Office expenses	505	2,033	2,538	8,808	-	8,808	11,346
Advertising	-	-	-	-	8,589	8,589	8,589
Bank and credit card fees	-	-	-	117	6,615	6,732	6,732
Printing and postage	-	-	-	2,106	2,478	4,584	4,584
Miscellaneous expenses	-	-	-	2,043	-	2,043	2,043
Total operating expenses	\$ 603,435	\$ 305,148	\$ 908,583	\$ 361,039	\$ 194,790	\$ 555,829	\$ 1,464,412

The accompanying Notes are an integral
part of these financial statements

Page 7

Marfa Public Radio Corporation

Statement of Functional Expenses

Year ended December 31, 2021

	Program Services			Supporting Services			
	Programming and Production	Broadcasting	Total	General and Administrative	Fundraising	Total	Total
Salaries and wages	\$ 258,062	\$ 36,731	\$ 294,793	\$ 107,997	\$ 71,656	\$ 179,653	\$ 474,446
Employee benefits	21,362	3,118	24,480	12,220	5,607	17,827	42,307
Payroll taxes	22,300	3,193	25,493	9,821	6,321	16,142	41,635
Total personnel costs	301,724	43,042	344,766	130,038	83,584	213,622	558,388
Programming	116,487	-	116,487	-	-	-	116,487
Contract labor	19,195	12,916	32,111	49,931	31,610	81,541	113,652
Occupancy	-	75,959	75,959	26,692	-	26,692	102,651
Legal and professional	-	-	-	68,625	-	68,625	68,625
Depreciation	2,525	45,963	48,488	1,010	1,010	2,020	50,508
Information technology	1,134	17,149	18,283	11,462	7,669	19,131	37,414
Insurance	-	-	-	32,711	-	32,711	32,711
Office expenses	-	14,256	14,256	15,719	-	15,719	29,975
Dues and licenses	6,722	-	6,722	10,663	1,454	12,117	18,839
Travel and meetings	5,360	433	5,793	7,966	2,436	10,402	16,195
Printing and postage	-	-	-	309	13,258	13,567	13,567
Training	13,477	-	13,477	-	-	-	13,477
Equipment, repairs and maintenance	5,076	3,812	8,888	866	-	866	9,754
Bank and credit card fees	-	-	-	245	7,835	8,080	8,080
Interest expense	-	-	-	5,404	-	5,404	5,404
Advertising	-	-	-	-	5,644	5,644	5,644
Miscellaneous expenses	-	-	-	99	3,308	3,407	3,407
Total operating expenses	\$ 471,700	\$ 213,530	\$ 685,230	\$ 361,740	\$ 157,808	\$ 519,548	\$ 1,204,778

The accompanying Notes are an integral
part of these financial statements

Page 8

Marfa Public Radio Corporation

Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Years ended December 31	2022	2021
Cash Flows From Operating Activities		
Change in net assets	\$ (297,256)	\$ 897,042
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Depreciation	62,625	50,508
Amortization of right-of-use operating lease asset	21,130	-
Donated portion of building	-	(171,700)
Provision for bad debt	-	3,660
Forgiveness of debt	-	(171,700)
Increase (decrease) from changes in assets and liabilities		
Accounts receivable	3,223	28,221
Contributions receivable	(8,919)	(17,612)
Other receivable	(20,000)	-
Prepaid expenses and other current assets	(12,488)	28,762
Accounts payable and accrued expenses	12,746	(2,980)
Accrued compensation and benefits	7,646	6,929
Deferred revenue	23,576	(14,464)
Operating lease obligations	10,860	-
Net cash (used) provided by operating activities	<u>(196,857)</u>	<u>636,666</u>
Cash Flows From Investing Activities		
Purchases of property and equipment	<u>(13,976)</u>	<u>(407,204)</u>
Net cash used by investing activities	<u>(13,976)</u>	<u>(407,204)</u>
Cash Flows From Financing Activities		
Borrowings on note payable, Paycheck Protection Program	-	95,000
Payments on note payable	<u>(13,091)</u>	<u>(5,414)</u>
Net cash (used) provided by financing activities	<u>(13,091)</u>	<u>89,586</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(223,924)	319,048
Cash and Cash Equivalents, Beginning of Year	<u>1,237,597</u>	<u>918,549</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,013,673</u>	<u>\$ 1,237,597</u>
Supplemental Cash Flow Information		
Cash paid for interest	\$ 12,695	\$ 5,330
Property acquired with debt	\$ -	\$ 275,000

The accompanying Notes are an integral part of these financial statements

Page 9

Marfa Public Radio Corporation

Notes to Financial Statements

December 31, 2022 and 2021

Note 1 – Nature of Organization and Significant Accounting Policies

Nature of Organization. Marfa Public Radio Corporation (the Organization) is a Texas non-profit corporation established in February 2005 to operate FM radio stations serving the Texas Big Bend area (KRTS-FM) and the Permian Basin (KXWT-FM). The Organization's mission is to be a public service and a lifeline for the community, to unify and promote cultural enrichment through presentation and focus on the importance of art, education, science, quality of life, and the local economy. The Organization fulfills its mission by focusing efforts in two primary areas.

Programming and Production. The Organization purchases national programming and produces local programs of high quality, diversity, creativity, excellence, and innovation in accordance with its mission to be a public service and a lifeline for the community.

Broadcasting. The Station broadcasts the purchased and locally produced programs over five FM radio frequencies with radio towers in Marfa/Fort Davis, Alpine, Marathon, Presidio and Midland/Odessa.

Funding for the Organization is primarily obtained through charitable grants, contributions, and memberships from interested parties and underwriting fees.

Basis of Accounting. The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions. Net assets resulting from revenues generated by receiving contributions that have no donor stipulations, providing services, and receiving interest and other income, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

Net Assets With Donor Restrictions. Net assets resulting from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Change in Accounting Principle. On January 1, 2022, the Organization adopted FASB ASU No. 2016-02, *Leases (Topic 842)*, which provides guidance on the accounting for leases that superseded previous guidance.

Marfa Public Radio Corporation

Notes to Financial Statements

December 31, 2022 and 2021

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Change in Accounting Principle (continued). Topic 842 requires lessees to recognize leases on the statement of financial position for all leases, including operating leases which were not previously recorded as assets and liabilities, and to disclose key information about leasing arrangements. The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. Leases are now classified as financing, formerly capital, or operating, with classification affecting the pattern and classification of expense recognition in the statement of activities. The Organization adopted ASU 2016-02 under the modified retrospective approach, applying the amendments only to prospective reporting periods. In performing its analysis, the Organization reflected the aggregate effect of all modifications when identifying the lease obligations and ROU assets. The change in accounting method would not have had a material effect on the change in net assets for the year ended December 31, 2021, or on net assets as of December 31, 2021.

Cash and Cash Equivalents. Cash consists of a checking and savings accounts held at financial institutions. For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents.

Accounts Receivable. Accounts receivable consist of amounts due from sponsors for underwriting programs and are stated at the amount of consideration from customers, of which the Organization has an unconditional right to receive. At the time accounts receivable are originated, the Organization considers an allowance for doubtful accounts based on the creditworthiness of the customer. The allowance is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future uncollectible amounts. The allowance is management's best estimate of uncollectible amounts and is determined based on historical performance that is tracked by the Organization on an ongoing basis. As of December 31, 2022 and 2021, management believes all accounts receivable are fully collectible, and accordingly, no allowance for doubtful accounts has been recorded.

Contributions Receivable. Unconditional promises to give are recognized as revenue in the period received. Contributions receivable are recorded at the amount the Organization expects to receive, allowing for estimated uncollectible contributions. The allowance for uncollectible contributions is estimated based on management's review of specific contributions outstanding. As of December 31, 2022 and 2021, management believes all contributions receivable are fully collectible, and accordingly, no allowance for doubtful contributions has been recorded. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Property and Equipment. It is the Organization's policy to capitalize property and equipment at cost for purchases over \$5,000, while repair and maintenance items are charged to expense. Donations of property and equipment are capitalized at their estimated fair value on the date of gift. Such donations are reported as contributions without donor restriction unless the donor has restricted the donated asset to a specific purpose. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets, which is generally forty years for buildings, five to fifteen years for radio and broadcast equipment, and five years for vehicles.

Marfa Public Radio Corporation

Notes to Financial Statements

December 31, 2022 and 2021

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Leases and Right-of-Use Assets. Commencing January 1, 2022, the Organization recognizes and measures its leases in accordance with FASB ASC 842, *Leases*. The Organization determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Organization recognizes a lease liability and a right-of-use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate if it is readily determinable, or otherwise, the Organization uses its incremental borrowing rate based on the information available at the commencement date for all leases. The Organization's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus or minus any prepaid or accrued lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

Right-of-use assets under operating leases are recorded in other assets in the accompanying statement of financial position. The Organization has elected to exclude leases of 12 months or less from right-of-use asset recognition. Amortization of right-of-use assets for operating leases is included in rent expense.

Intangible Assets. The Organization's indefinite-lived intangible assets consist of broadcast licenses. The broadcast licenses are not amortized, but are tested for impairment annually, or more frequently if circumstances indicate potential impairment, through a comparison of fair value to its carrying amount. The Organization utilizes an outside valuation firm to assist in determining fair value. The valuation of the broadcast licenses is an estimate that involves judgements about the validity of comparable sales. It is at least reasonably possible that such valuations will change in the near term and the change could be material. The broadcast licenses must be renewed periodically at minimal cost. Significant future cash flows associated with the broadcast licenses are affected by the Organization's ability or intent to renew the licenses. The costs incurred to renew the broadcast licenses will be expensed as incurred. The broadcast licenses are subject to renewal in August 2029.

Impairment of Long-Lived Assets. In the event that facts and circumstances indicate that property and equipment, or other assets, may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value would be necessary. No impairment losses were recorded during the years ended December 31, 2022 and 2021.

Revenue Recognition. The Organization earns revenue from contracts with customers through providing underwriting services, which primarily includes the marketing of corporate sponsors on air and on the Organization's website.

Marfa Public Radio Corporation

Notes to Financial Statements

December 31, 2022 and 2021

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Revenue Recognition (continued). The Organization's customers are primarily local businesses. The Organization's contracts typically include a single performance obligation to perform agreed upon services, which generally occur within a single fiscal year.

Underwriting fee revenue is recognized over time as the Organization's customers simultaneously receive and consume the benefits of the Organization's performance. The Organization typically provides underwriting services under fixed fee arrangements which are billed in advance of the service. Amounts that have been invoiced are recorded in accounts receivable and in either deferred revenue or revenue, depending on whether the revenue recognition criteria have been met. The Organization generally does not experience changes in the transaction price subsequent to the inception of its contracts.

Underwriting fee revenue recognized under contracts with customers for the years ended December 31, 2022 and 2021 was \$41,291 and \$38,494, respectively. The Organization had accounts receivable representing net billed amounts due on contracts with customers of \$5,022, \$8,245, and \$40,127 as of December 31, 2022 and 2021, and January 1, 2021, respectively. The Organization did not have any contract assets associated with underwriting fees as of December 31, 2022 and 2021, or as of January 1, 2021. The Organization typically collects fees in advance of services being provided, which are recorded as deferred revenue (contract liabilities) on the statement of financial position, and recorded as services are provided. Contract liabilities as of December 31, 2022 and 2021, and January 1, 2021 totaled \$29,255, \$5,679 and \$20,143, respectively. Contract liabilities are generally recognized as revenue during the following year.

Contributions, Memberships, and Grants. Contributions, memberships, and grants are recognized when the donation is received. Donor-restricted gifts are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions and grants that are restricted by the donor or grantor are reported as increases in net assets with donor restrictions even if the restrictions expire in the fiscal year in which the contributions are recognized.

Contributed Services and Materials. Contributed services are recognized if services received (a) create or enhance non-financial assets or (b) require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed materials are reported at fair market value on the date of gift.

Functional Allocation of Expenses. The costs of providing various programs and other activities have been summarized on a functional basis. Accordingly, direct expenses have been allocated to the applicable program for which the expenses were incurred. Indirect expenses have been allocated between program and supporting services based on an analysis of personnel time and space utilized for the related activities.

Advertising. The Organization expenses advertising costs, including donated advertising, as they are incurred. Advertising expense for the years ended December 31, 2022 and 2021 totaled \$8,589 and \$5,644, respectively.

Marfa Public Radio Corporation

Notes to Financial Statements

December 31, 2022 and 2021

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Income Taxes. The Organization is a nonprofit corporation exempt from income taxes as described in Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision for income taxes has been made.

Subsequent Events. The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through May 12, 2023, the date at which the financial statements were available for release.

Note 2 – Adoption of Accounting Pronouncement

The Organization adopted Topic 842 on January 1, 2022 using the modified retrospective approach and recorded increases to opening right-of-use assets and operating lease liabilities of \$210,288 and \$245,173, respectively. The adoption changed the recognition of lease obligations and right-of-use assets. The adoption did not change net assets. The Organization elected certain practical expedients allowed under ASC 842 and, accordingly, did not reassess whether any expired or existing contracts are or include leases, or the lease classification of any expired or existing leases, and initial direct costs for any existing leases.

The cumulative effects of the changes made to the statement of financial position as of January 1, 2022 for the adoption of Topic 842 were as follows:

	Balance at December 31, 2021	Adjustments Due to ASC 842	Balance at January 1, 2022
Assets			
Right-of-use operating lease assets	\$ -	\$ 210,288	\$ 210,288
Liabilities			
Operating lease obligations	\$ -	\$ 245,173	\$ 245,173
Net assets	\$ 2,306,989	\$ -	\$ 2,306,989

Note 3 – Liquidity and Availability

The Organization had \$1,069,183 and \$1,267,411 in financial assets available within one year of December 31, 2022 and 2021, respectively. The Organization receives significant contributions and promises to give that are restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability; maintaining adequate liquid assets to fund near-term operating needs; and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

Marfa Public Radio Corporation

Notes to Financial Statements

December 31, 2022 and 2021

Note 3 – Liquidity and Availability (continued)

To achieve these guiding principles, the Organization forecasts its future cash flows and monitors its liquidity monthly. During the years ended December 31, 2022 and 2021, the level of liquidity and reserves was managed within the guiding principles.

Note 4 – Contributions Receivable

Contributions receivable were \$30,488 and \$21,569 as of December 31, 2022 and 2021, respectively. Amounts outstanding at December 31, 2021 were collected during 2022, and management estimates the outstanding amount at December 31, 2022 will be collected during 2023.

Note 5 – Property and Equipment

Property and equipment consist of the following at December 31:

	2022	2021
Land and building	\$ 926,130	\$ 926,130
Radio and broadcast equipment	1,190,088	1,176,112
Vehicle	18,133	18,133
	<u>2,134,351</u>	<u>2,120,375</u>
Less accumulated amortization	(1,223,248)	(1,160,623)
Net property and equipment	<u>\$ 911,103</u>	<u>\$ 959,752</u>

Depreciation expense for the years ended December 31, 2022 and 2021 was \$62,625 and \$50,508, respectively.

Note 6 – Operating Leases

The Organization leases space on radio towers under multiple noncancelable operating leases. The leases expire from December 2026 through December 2034 as optional extension terms are expected to be exercised. The leases also include rent escalation terms ranging from the national inflation rate to 5% annually. The rent escalation determined to be variable lease payments are not included in lease payments used to determine lease obligations and are recognized as variable costs when incurred. The operating lease obligations and related right-of-use assets as of December 31, 2022 totaled \$221,148 and \$189,158, respectively.

Operating lease costs consist of the following for the year ended December 31, 2022:

	Amount
Amortization of right -of-use assets	\$ 21,130
Interest on lease liability	11,127
Variable rent expense	40,735
	<u>\$ 72,992</u>

Marfa Public Radio Corporation

Notes to Financial Statements

December 31, 2022 and 2021

Note 6 – Operating Leases (continued)

Rent expense on the leased space on radio towers for the year ended December 31, 2021, prior to the implementation of ASC 842, totaled \$40,488.

The Organization leased facilities in Marfa, Texas under a noncancelable operating lease. In July 2021, the property was purchased and the lease was cancelled at that time. Rent expense on the leased facilities for the year ended December 31, 2021, prior to the implementation of ASC 842, totaled \$12,480.

Cash paid for amounts included in the measurement of operating lease liabilities totaled \$35,151 for the year ended December 31, 2022.

The weighted average of the remaining lease terms and discount rates are as follows at December 31, 2022:

Remaining lease term, operating leases	8.77 years
Discount rate, operating leases	4.75%

The discount rate for the operating leases is estimated based on the Organization's incremental borrowing rate at the commencement of the lease.

Scheduled maturities of operating lease liabilities are as follows at December 31, 2022:

Year	Amount
2023	\$ 36,675
2024	37,489
2025	38,334
2026	39,213
2027	16,355
Thereafter	103,483
	271,549
Less imputed interest	(50,401)
	<u>\$ 221,148</u>

The Organization subleases a portion of a radio tower under a short term operating lease. Rental income totaled \$25,884 and \$16,735 for the years ended December 31, 2022 and 2021, respectively.

Note 7 – Notes Payable

The Organization has a note payable to Community National Bank with outstanding borrowings of \$256,495 and \$269,586 at December 31, 2022 and 2021, respectively. The agreement requires monthly principal and interest payments of \$2,149 and bears interest at 4.75% for the first 60 months. Thereafter, the interest rate will be adjusted every five years to the Wall Street Journal prime rate plus 1.00%. The interest rate will never change by more than 2.00% and will not be greater than 10.75% or less than 4.75%. The agreement is collateralized by a deed of trust and matures in July 2036.

Marfa Public Radio Corporation

Notes to Financial Statements

December 31, 2022 and 2021

Note 7 – Notes Payable (continued)

Scheduled maturities of the long-term note payable are as follows at December 31, 2022:

<u>Year</u>	<u>Amount</u>
2023	\$ 13,912
2024	14,587
2025	15,296
2026	16,038
2027	16,817
Thereafter	179,845
	<u>\$ 256,495</u>

During 2021, \$171,700 in outstanding principal under the Paycheck Protection Program loan was forgiven by the U.S. Small Business Administration and recognized as revenue.

Note 8 – Net Assets With Donor Restrictions

The following summarizes the changes in net assets with donor restrictions for the years ended December 31, 2022 and 2021:

	<u>Broadcasting & Programming</u>	<u>Time Restrictions</u>	<u>Total</u>
Balance, January 1, 2021	\$ 2,000	\$ 3,957	\$ 5,957
Additions	-	21,569	21,569
Releases	-	(3,957)	(3,957)
Balance, December 31, 2021	2,000	21,569	23,569
Additions	10,676	40,488	51,164
Releases	(2,000)	(31,569)	(33,569)
Balance, December 31, 2022	<u>\$ 10,676</u>	<u>\$ 30,488</u>	<u>\$ 41,164</u>

Note 9 – In-kind Contributions

The Organization received the following contributions of nonfinancial assets for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Land and building	\$ -	\$ 171,700
On-air services	9,650	9,650
	<u>\$ 9,650</u>	<u>\$ 181,350</u>

The Organization receives contributed professional services that are reported using current rates for similar services. Contributed land and building received by the Organization are valued at the current price for similar items located on a publicly available website.

Marfa Public Radio Corporation

Notes to Financial Statements

December 31, 2022 and 2021

Note 9 – In-kind Contributions (continued)

All donated services and property were utilized by the Organization's programs and supporting services. There were no donor-imposed restrictions associated with the in-kind contributions.

Note 10 – Concentrations

Bank Deposits. The Organization routinely maintained cash balances in excess of federally insured limits during the years ended December 31, 2022 and 2021.

Major Grantors. The Organization had two grantors who comprised 42% and 52% of total support and revenue for the years ended December 31, 2022 and 2021, respectively.

Geographical Concentration. The Organization receives a substantial amount of their support from Marfa, Texas and the surrounding areas.

Marfa Public Radio Corporation

Schedule of Revenue and Expenses - KRTS-FM

Year ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenue			
Support			
Grants and contributions	\$ 390,777	\$ 35,488	\$ 426,265
Membership dues	250,386	-	250,386
In-kind contributions	4,825	-	4,825
Net assets released from restrictions			
Satisfaction of purpose restrictions	2,000	(2,000)	-
Expiration of time restrictions	23,531	(23,531)	-
Total operating support	671,519	9,957	681,476
Revenue			
Underwriting fees	15,645	-	15,645
Total operating support and revenue	687,164	9,957	697,121
Operating Expenses			
Program services			
Programming and production	295,463	-	295,463
Broadcasting	131,750	-	131,750
Supporting services			
General and administrative	177,811	-	177,811
Fundraising	93,126	-	93,126
Total operating expenses	698,150	-	698,150
Total operating support and revenue in excess (deficit) of operating expenses	(10,986)	9,957	(1,029)
Other Changes			
Rental income	25,884	-	25,884
Merchandise sales, net	1,000	-	1,000
Interest and other income	924	-	924
Total other changes	27,808	-	27,808
Change in Net Assets	\$ 16,822	\$ 9,957	\$ 26,779

Marfa Public Radio Corporation

Schedule of Revenue and Expenses - KXWT-FM

Year ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenue			
Support			
Grants and contributions	\$ 271,296	\$ 15,676	\$ 286,972
Membership dues	124,783	-	124,783
In-kind contributions	4,825	-	4,825
Net assets released from restrictions			
Expiration of time restrictions	8,038	(8,038)	-
Total operating support	408,942	7,638	416,580
Revenue			
Underwriting fees	25,646	-	25,646
Total operating support and revenue	434,588	7,638	442,226
Operating Expenses			
Program services			
Programming and production	307,972	-	307,972
Broadcasting	173,398	-	173,398
Supporting services			
General and administrative	183,228	-	183,228
Fundraising	101,664	-	101,664
Total operating expenses	766,262	-	766,262
Total operating support and revenue in excess (deficit) of operating expenses	(331,674)	7,638	(324,036)
Other Changes			
Interest and other income	1	-	1
Change in Net Assets	<u>\$ (331,673)</u>	<u>\$ 7,638</u>	<u>\$ (324,035)</u>