

# **Marfa Public Radio Corporation**

(a nonprofit Texas corporation)

## **Financial Statements**

December 31, 2023 and 2022

# Marfa Public Radio Corporation

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## **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, 2023 and 2022 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, 2023 and 2022, 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.

### **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.

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.

## **Independent Auditor's Report (continued)**

### **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. 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.

**Independent Auditor's Report (continued)**

**Supplementary Information (continued)**

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

Boulder, Colorado  
May 23, 2024

# Marfa Public Radio Corporation

## Statements of Financial Position

December 31	2023	2022
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 695,690	\$ 1,013,673
Accounts receivable	5,460	5,022
Contributions receivable	50,810	30,488
Other receivables	60,671	20,000
Prepaid expenses	30,169	33,710
Total current assets	<u>842,800</u>	<u>1,102,893</u>
<b>Property and Equipment, at cost</b>	<u>884,176</u>	<u>911,103</u>
<b>Other Assets</b>		
Right-of-use operating lease assets	166,828	189,158
Broadcast licenses	392,207	392,207
Total other assets	<u>559,035</u>	<u>581,365</u>
Total assets	<u><u>\$ 2,286,011</u></u>	<u><u>\$ 2,595,361</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 68,287	\$ 49,567
Accrued compensation and benefits	26,958	29,163
Deferred revenue	-	29,255
Current maturities of operating lease obligations	28,878	26,748
Current maturities of note payable	14,587	13,912
Total current liabilities	<u>138,710</u>	<u>148,645</u>
<b>Long-Term Liabilities</b>		
Operating lease obligations, net of current maturities	165,523	194,400
Note payable, net of current maturities	228,173	242,583
Total long-term liabilities	<u>393,696</u>	<u>436,983</u>
Total liabilities	<u>532,406</u>	<u>585,628</u>
<b>Net Assets</b>		
Without donor restrictions	1,681,869	1,968,569
With donor restrictions	71,736	41,164
Total net assets	<u>1,753,605</u>	<u>2,009,733</u>
Total liabilities and net assets	<u><u>\$ 2,286,011</u></u>	<u><u>\$ 2,595,361</u></u>

The accompanying Notes are an integral  
part of these financial statements

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# Marfa Public Radio Corporation

## Statement of Activities

Year ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Support and Revenue</b>			
<b>Support</b>			
Grants and contributions	\$ 466,020	\$ 358,081	\$ 824,101
Membership dues	326,531	-	326,531
In-kind contributions	13,258	-	13,258
Special event income, net	21,719	-	21,719
Net assets released from restrictions			
Expiration of time restrictions	327,509	(327,509)	-
Total operating support	1,155,037	30,572	1,185,609
<b>Revenue</b>			
Underwriting fees	40,823	-	40,823
Total operating support and revenue	1,195,860	30,572	1,226,432
<b>Operating Expenses</b>			
Program services			
Programming and production	724,801	-	724,801
Broadcasting	263,298	-	263,298
Supporting services			
General and administrative	350,553	-	350,553
Fundraising	180,646	-	180,646
Total operating expenses	1,519,298	-	1,519,298
Total operating support and revenue in excess (deficit) of operating expenses	(323,438)	30,572	(292,866)
<b>Other Changes</b>			
Rental income	22,289	-	22,289
Merchandise sales, net	9,417	-	9,417
Interest and other income	5,032	-	5,032
Total other changes	36,738	-	36,738
<b>Change in Net Assets</b>	(286,700)	30,572	(256,128)
<b>Net Assets, Beginning of Year</b>	1,968,569	41,164	2,009,733
<b>Net Assets, End of Year</b>	\$ 1,681,869	\$ 71,736	\$ 1,753,605

The accompanying Notes are an integral  
part of these financial statements

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# Marfa Public Radio Corporation

## Statement of Activities

Year ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Support and Revenue</b>			
<b>Support</b>			
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	1,080,461	17,595	1,098,056
<b>Revenue</b>			
Underwriting fees	41,291	-	41,291
Total operating support and revenue	1,121,752	17,595	1,139,347
<b>Operating Expenses</b>			
Program services			
Programming and production	603,435	-	603,435
Broadcasting	305,148	-	305,148
Supporting services			
General and administrative	361,039	-	361,039
Fundraising	194,790	-	194,790
Total operating expenses	1,464,412	-	1,464,412
Total operating support and revenue in excess (deficit) of operating expenses	(342,660)	17,595	(325,065)
<b>Other Changes</b>			
Rental income	25,884	-	25,884
Merchandise sales, net	1,000	-	1,000
Interest and other income	925	-	925
Total other changes	27,809	-	27,809
<b>Change in Net Assets</b>	(314,851)	17,595	(297,256)
<b>Net Assets, Beginning of Year</b>	2,283,420	23,569	2,306,989
<b>Net Assets, End of Year</b>	\$ 1,968,569	\$ 41,164	\$ 2,009,733

The accompanying Notes are an integral  
part of these financial statements

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# Marfa Public Radio Corporation

## Statement of Functional Expenses

Year ended December 31, 2023

	Program Services			Supporting Services			
	Programming and Production	Broadcasting	Total	General and Administrative	Fundraising	Total	Total
Salaries and wages	\$ 379,213	\$ 51,197	\$ 430,410	\$ 117,194	\$ 98,116	\$ 215,310	\$ 645,720
Employee benefits	26,071	1,917	27,988	16,115	7,151	23,266	51,254
Payroll taxes	30,838	4,167	35,005	9,694	8,096	17,790	52,795
Total personnel costs	436,122	57,281	493,403	143,003	113,363	256,366	749,769
Contract labor	117,683	47,520	165,203	8,328	20,659	28,987	194,190
Programming	147,595	-	147,595	-	-	-	147,595
Occupancy	-	73,581	73,581	16,276	-	16,276	89,857
Legal and professional	-	-	-	78,720	-	78,720	78,720
Depreciation	6,193	42,549	48,742	1,548	2,705	4,253	52,995
Information technology	457	19,799	20,256	15,426	11,556	26,982	47,238
Insurance	-	3,934	3,934	37,350	-	37,350	41,284
Dues and licenses	9,493	-	9,493	7,582	4,607	12,189	21,682
Equipment, repairs and maintenance	-	18,502	18,502	2,147	-	2,147	20,649
Travel and meetings	5,224	61	5,285	8,330	4,565	12,895	18,180
Office expenses	542	71	613	16,229	-	16,229	16,842
Interest expense	-	-	-	12,052	-	12,052	12,052
Printing and postage	-	-	-	2,678	8,592	11,270	11,270
Advertising	1,492	-	1,492	-	7,434	7,434	8,926
Bank and credit card fees	-	-	-	35	7,165	7,200	7,200
Miscellaneous expenses	-	-	-	849	-	849	849
Total operating expenses	\$ 724,801	\$ 263,298	\$ 988,099	\$ 350,553	\$ 180,646	\$ 531,199	\$ 1,519,298

The accompanying Notes are an integral  
part of these financial statements

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# 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

# Marfa Public Radio Corporation

## Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Years ended December 31	2023	2022
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (256,128)	\$ (297,256)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	52,995	62,625
Amortization of right-of-use operating lease asset	22,330	21,130
Loss on building impairment	93,314	-
Increase (decrease) from changes in assets and liabilities		
Accounts receivable	(438)	3,223
Contributions receivable	(20,322)	(8,919)
Other receivables	(40,671)	(20,000)
Prepaid expenses and other current assets	3,541	(12,488)
Accounts payable and accrued expenses	(39,078)	12,746
Accrued compensation and benefits	(2,205)	7,646
Deferred revenue	(29,255)	23,576
Operating lease obligations	(26,747)	10,860
Net cash used by operating activities	<u>(242,664)</u>	<u>(196,857)</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of property and equipment	(61,584)	(13,976)
Net cash used by investing activities	<u>(61,584)</u>	<u>(13,976)</u>
<b>Cash Flows From Financing Activities</b>		
Payments on note payable	(13,735)	(13,091)
Net cash used by financing activities	<u>(13,735)</u>	<u>(13,091)</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(317,983)</b>	<b>(223,924)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>1,013,673</b>	<b>1,237,597</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 695,690</b>	<b>\$ 1,013,673</b>
<b>Supplemental Cash Flow Information</b>		
Cash paid for interest	\$ 12,052	\$ 12,695
Property acquired with accounts payable	\$ 57,798	\$ -

The accompanying Notes are an integral part of these financial statements

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# Marfa Public Radio Corporation

## Notes to Financial Statements

December 31, 2023 and 2022

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### 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.* Effective January 1, 2023, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 326, *Financial Instruments - Credit Losses*, which changes the method of measuring credit losses for most financial assets and certain other instruments that are not measured at fair value through change in net assets.

# Marfa Public Radio Corporation

## Notes to Financial Statements

December 31, 2023 and 2022

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

*Change in Accounting Principle (continued).* The standard changes the measurement of credit losses from the incurred loss model to the expected loss model, and requires enhanced disclosures to provide information for analysis of the Organization's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the new standard consist primarily of accounts receivable. The impact of the adoption is not considered to be material to the financial statements and primarily resulted in enhanced disclosures.

*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 and Allowance for Credit Losses.* Accounts receivable are stated at the amount of consideration from customers, of which the Organization has an unconditional right to receive. The Organization operates radio stations and its accounts receivable are primarily derived from underwriting. The Organization grants credit in the normal course of business to customers and recognizes an expected allowance for credit losses to reduce credit risk. At each reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist. Accounts receivable are evaluated individually when they do not share similar risk characteristics which could exist in circumstances where amounts are considered at risk or uncollectible. The allowance estimate is derived from a review of the Organization's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Organization. The Organization believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the Organization's customers have remained fairly constant for many years. Management believes all accounts receivables are fully collectible, and accordingly, no allowance for credit losses has been recorded.

The Organization writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in revenue. The total amount of write-offs was immaterial to the financial statements as a whole for the years ending December 31, 2023 and 2022.

*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, 2023 and 2022, 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.

*Other Receivables.* Other receivables consist of amounts due from an insurance claim and other reimbursements. Other receivables are recorded at the amount the Organization expects to receive, allowing for estimated uncollectible accounts.

# Marfa Public Radio Corporation

## Notes to Financial Statements

December 31, 2023 and 2022

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

*Other Receivables (continued).* The allowance for uncollectible accounts is estimated based on management's review of specific accounts outstanding. As of December 31, 2023 and 2022, management believes all other receivables are fully collectible, and accordingly, no allowance for doubtful accounts has been recorded.

*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.

*Leases and Right-of-Use Assets.* 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. The Organization made a policy election not to separate lease and nonlease components for all leases. Therefore, all payments are included in the calculation of the right-of-use asset and lease liability. 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 to discount certain lease asset class obligations. 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 Organization has also elected to exclude leases with terms of 12 months or less from right-of-use asset and operating lease obligation recognition.

*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

# Marfa Public Radio Corporation

## Notes to Financial Statements

December 31, 2023 and 2022

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

*Impairment of Long-Lived Assets (continued).* 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. During the year ended December 31, 2023, the Organization recognized an impairment loss of \$93,314 on the building due to damage caused by a storm. The casualty loss was fully covered by insurance. No impairment losses were recorded during the year ended December 31, 2022.

*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. 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, 2023 and 2022 was \$40,823 and \$41,291, respectively. The Organization had accounts receivable representing net billed amounts due on contracts with customers of \$5,460, \$5,022, and \$8,245 as of December 31, 2023 and 2022, and January 1, 2022, respectively. The Organization did not have any contract assets associated with underwriting fees as of December 31, 2023 and 2022, or as of January 1, 2022. 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 January 1, 2022 totaled \$29,255 and \$5,679, respectively. There were no contract liabilities as of December 31, 2023. 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.



# Marfa Public Radio Corporation

## Notes to Financial Statements

December 31, 2023 and 2022

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

*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, 2023 and 2022 totaled \$8,926 and \$8,589, respectively.

*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 23, 2024, the date at which the financial statements were available for release.

### Note 2 – Liquidity and Availability

The Organization had \$812,631 and \$1,069,183 in financial assets available within one year of December 31, 2023 and 2022, 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. To achieve these guiding principles, the Organization forecasts its future cash flows and monitors its liquidity monthly. During the years ended December 31, 2023 and 2022, the level of liquidity and reserves was managed within the guiding principles.

### Note 3 – Contributions Receivable

Contributions receivable were \$50,810 and \$30,488 as of December 31, 2023 and 2022, respectively. Amounts outstanding at December 31, 2022 were collected during 2023, and management estimates the outstanding amount at December 31, 2023 will be collected during 2024.



# Marfa Public Radio Corporation

## Notes to Financial Statements

December 31, 2023 and 2022

### Note 4 – Property and Equipment

Property and equipment consist of the following at December 31:

	2023	2022
Land and building	\$ 926,130	\$ 926,130
Radio and broadcast equipment	1,213,931	1,190,088
Vehicle	18,133	18,133
Construction in progress	2,224	-
	<u>2,160,418</u>	<u>2,134,351</u>
Less accumulated amortization	<u>(1,276,242)</u>	<u>(1,223,248)</u>
Net property and equipment	<u>\$ 884,176</u>	<u>\$ 911,103</u>

Depreciation expense for the years ended December 31, 2023 and 2022 was \$52,995 and \$62,625, respectively.

### Note 5 – 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, 2023 totaled \$194,401 and \$166,828, respectively. The operating lease obligations and related right-of-use assets as of December 31, 2022 totaled \$221,148 and \$189,158,

Operating lease costs consist of the following for the years ended December 31:

	2023	2022
Amortization of right -of-use assets	\$ 22,330	\$ 21,130
Interest on lease liability	9,928	11,127
Variable rent expense	8,506	40,735
	<u>\$ 40,764</u>	<u>\$ 72,992</u>

Cash paid for amounts included in the measurement of operating lease liabilities totaled \$36,676 and \$35,151 for the years ended December 31, 2023 and 2022, respectively.

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

	2023	2022
Remaining lease term, operating leases	8.06 years	8.77 years
Discount rate, operating leases	4.75%	4.75%

# Marfa Public Radio Corporation

## Notes to Financial Statements

December 31, 2023 and 2022

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### Note 5 – Operating Leases (continued)

Scheduled maturities of operating lease liabilities are as follows at December 31, 2023:

<u>Year</u>	<u>Amount</u>
2024	\$ 37,489
2025	38,334
2026	39,213
2027	16,355
2028	16,355
Thereafter	87,130
	<u>234,876</u>
Less amount representing interest	<u>(40,475)</u>
	<u>\$ 194,401</u>

The Organization subleases a portion of a radio tower under a short term operating lease. Rental income totaled \$22,289 and \$25,884 for the years ended December 31, 2023 and 2022, respectively.

### Note 6 – Notes Payable

The Organization has a note payable to Community National Bank with outstanding borrowings of \$242,760 and \$256,495 at December 31, 2023 and 2022, 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.

Scheduled maturities of the long-term note payable are as follows at December 31, 2023:

<u>Year</u>	<u>Amount</u>
2024	\$ 14,587
2025	15,296
2026	16,038
2027	16,817
2028	17,633
Thereafter	162,389
	<u>\$ 242,760</u>

# Marfa Public Radio Corporation

## Notes to Financial Statements

December 31, 2023 and 2022

### Note 7 – Net Assets With Donor Restrictions

The following summarizes the changes in net assets with donor restrictions for the years ended December 31, 2023 and 2022:

	Broadcasting & Programming	Time Restrictions	Total
Balance, January 1, 2022	\$ 2,000	\$ 21,569	\$ 23,569
Additions	10,676	40,488	51,164
Releases	(2,000)	(31,569)	(33,569)
Balance, December 31, 2022	10,676	30,488	41,164
Additions	10,250	347,831	358,081
Releases	-	(327,509)	(327,509)
Balance, December 31, 2023	<u>\$ 20,926</u>	<u>\$ 50,810</u>	<u>\$ 71,736</u>

### Note 8 – In-kind Contributions

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

	2023	2022
On-air services	\$ 9,650	\$ 9,650
Professional services	3,608	-
	<u>\$ 13,258</u>	<u>\$ 9,650</u>

The Organization receives contributed professional and on-air services that are reported using current rates for similar services. All donated services were utilized by the Organization's programs and supporting services. There were no donor-imposed restrictions associated with the in-kind contributions.

### Note 9 – Special Event

The following summarizes net revenue from the special event for the year ended December 31, 2023:

<b>Marfa to Midland</b>	
Ticket sales and sponsorships	\$ 72,125
Direct costs	(50,406)
Net revenue	<u>\$ 21,719</u>

The Organization did not hold a special event for the year ended December 31, 2022.

# Marfa Public Radio Corporation

## Notes to Financial Statements

December 31, 2023 and 2022

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### Note 10 – Concentrations

*Bank Deposits.* The Organization routinely maintained cash balances in excess of federally insured limits during the years ended December 31, 2023 and 2022.

*Major Grantors.* The Organization had two grantors who comprised 43% and 42% of total support and revenue for the years ended December 31, 2023 and 2022, 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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Support and Revenue</b>			
<b>Support</b>			
Grants and contributions	\$ 236,449	\$ 274,198	\$ 510,647
Membership dues	259,600	-	259,600
In-kind contributions	6,629	-	6,629
Special event income, net	21,719	-	21,719
Net assets released from restrictions			
Expiration of time restrictions	249,615	(249,615)	-
Total operating support	774,012	24,583	798,595
<b>Revenue</b>			
Underwriting fees	13,657	-	13,657
Total operating support and revenue	787,669	24,583	812,252
<b>Operating Expenses</b>			
Program services			
Programming and production	356,093	-	356,093
Broadcasting	107,833	-	107,833
Supporting services			
General and administrative	170,187	-	170,187
Fundraising	82,850	-	82,850
Total operating expenses	716,963	-	716,963
Total operating support and revenue in excess of operating expenses	70,706	24,583	95,289
<b>Other Changes</b>			
Rental income	21,389	-	21,389
Merchandise sales, net	9,417	-	9,417
Interest and other income	4,598	-	4,598
Total other changes	35,404	-	35,404
<b>Change in Net Assets</b>	<b>\$ 106,110</b>	<b>\$ 24,583</b>	<b>\$ 130,693</b>

# Marfa Public Radio Corporation

## Schedule of Revenue and Expenses - KXWT-FM

Year ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Support and Revenue</b>			
<b>Support</b>			
Grants and contributions	\$ 229,571	\$ 83,883	\$ 313,454
Membership dues	66,931	-	66,931
In-kind contributions	6,629	-	6,629
Net assets released from restrictions			
Expiration of time restrictions	77,894	(77,894)	-
Total operating support	381,025	5,989	387,014
<b>Revenue</b>			
Underwriting fees	27,166	-	27,166
Total operating support and revenue	408,191	5,989	414,180
<b>Operating Expenses</b>			
Program services			
Programming and production	368,708	-	368,708
Broadcasting	155,465	-	155,465
Supporting services			
General and administrative	180,366	-	180,366
Fundraising	97,796	-	97,796
Total operating expenses	802,335	-	802,335
Total operating support and revenue in excess (deficit) of operating expenses	(394,144)	5,989	(388,155)
<b>Other Changes</b>			
Rental income	900	-	900
Interest and other income	434	-	434
Total other changes	1,334	-	1,334
<b>Change in Net Assets</b>	\$ (392,810)	\$ 5,989	\$ (386,821)