

Northern New Mexico Radio Foundation

A Non Profit Corporation

Financial Statements

For the Year Ended December 31, 2016

(With Summarized Comparative Information for the Year Ended December 31, 2015)

With Independent Auditor's Report Thereon

NORTHERN NEW MEXICO RADIO FOUNDATION

Financial Statements

December 31, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Northern New Mexico Radio Foundation
Santa Fe, New Mexico

We have audited the accompanying financial statements of the Northern New Mexico Radio Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statement of activities 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.

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

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 above present fairly, in all material respects, the financial position of the Northern New Mexico Radio Foundation as of December 31, 2016, 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 Northern New Mexico Radio Foundation as of December 31, 2015, were audited by other auditors whose report dated August 8, 2016, expressed an unmodified opinion on those statements.

Swain & Gineco, LLC
Santa Fe, New Mexico
August 14, 2017

NORTHERN NEW MEXICO RADIO FOUNDATION

Statements of Financial Position

December 31, 2016 and 2015

ASSETS

	<u>2016</u>	<u>2015</u>
Current assets		
Cash and cash equivalents, <i>note 3</i>	\$ 99,604	\$ 140,655
Funds held for others, <i>note 12</i>	14,928	-
Accounts receivable, net, <i>note 4</i>	44,907	36,278
Government receivable, <i>note 4</i>	-	2,916
Grant receivable, <i>note 4</i>	75,000	75,000
Pledges receivable, <i>note 4</i>	-	20,000
Prepaid expenses, <i>note 4</i>	2,449	1,510
Undeposited funds	900	-
Total current assets	<u>237,788</u>	<u>276,359</u>
Noncurrent assets		
Property and equipment, net, <i>note 5</i>	2,278	3,084
Total noncurrent assets	<u>2,278</u>	<u>3,084</u>
Total assets	<u>\$ 240,066</u>	<u>\$ 279,443</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and accrued expenses	\$ 49,527	\$ 30,935
Funds held for others, <i>note 12</i>	14,928	-
Credit cards payable	4,663	1,717
Payroll and payroll taxes payable, <i>note 6</i>	55,798	15,935
Deferred revenue	-	24,357
Line of credit payable, <i>note 7</i>	17,789	25,000
Loan payable to employee, <i>note 8</i>	22,540	10,000
Total current liabilities	<u>165,245</u>	<u>107,944</u>
Net assets		
Unrestricted	(19,237)	9,784
Temporarily restricted, <i>note 9</i>	94,058	161,715
Total net assets	<u>74,821</u>	<u>171,499</u>
Total liabilities and net assets	<u>\$ 240,066</u>	<u>\$ 279,443</u>

The Accompanying Notes Are An Integral Part of These Financial Statements

Northern New Mexico Radio Foundation
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2016
With Summarized Comparative Totals for the Year Ended December 31, 2015

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
Revenue and other support				
Contributions	\$ 253,250	\$ -	\$ 253,250	\$ 344,136
Program underwriting	134,330	-	134,330	145,343
Government revenue	17,469	-	17,469	16,042
Grants	152,038	122,322	274,360	114,000
In-kind donations	130,918	-	130,918	76,011
Studio rental	-	-	-	1,800
Miscellaneous income	4,805	-	4,805	6,858
Interest	3	-	3	6
Special events	13,095	-	13,095	13,596
Royalty and licensing fees	114	-	114	283
Total revenues and support	<u>706,022</u>	<u>122,322</u>	<u>828,344</u>	<u>718,075</u>
Net assets released from restrictions	<u>189,979</u>	<u>(189,979)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support (loss)	<u>896,001</u>	<u>(67,657)</u>	<u>828,344</u>	<u>718,075</u>
Expenses				
Program services:				
KSFRR station operations	588,085	-	588,085	582,484
Supporting services:				
Management and administrative	97,096	-	97,096	59,035
Fundraising	134,320	-	134,320	119,787
Total expenses	<u>819,501</u>	<u>-</u>	<u>819,501</u>	<u>761,306</u>
Change in net assets	76,500	(67,657)	8,843	(43,231)
Prior period adjustment, note 13	(105,521)	-	(67,307)	-
Net assets, beginning of year	<u>9,784</u>	<u>161,715</u>	<u>171,499</u>	<u>171,499</u>
Net assets, end of year	<u>\$ (19,237)</u>	<u>\$ 94,058</u>	<u>\$ 74,821</u>	<u>\$ 128,268</u>

The Accompanying Notes Are An Integral Part of These Financial Statements

NORTHERN NEW MEXICO RADIO FOUNDATION

Statements of Cash Flows

For the Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 8,843	\$ (43,231)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	804	804
Bad debt	100	-
Adjustments to receivables and payables	(46,536)	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(8,529)	(24,240)
Government receivables	2,916	(1,458)
Grant receivables	-	75,000
Pledge receivable	20,000	-
Prepaid expenses	(939)	12,180
Other current assets	(1,000)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	(19,622)	(15,277)
Credit cards payable	2,946	1,717
Payroll and payroll taxes payable	39,863	6,095
Deferred revenue	(24,357)	8,433
Net cash provided (used) by operating activities	(25,511)	20,023
Cash flows from financing activities:		
Conversion of debt to contribution	(12,540)	-
Draws on line of credit	-	25,000
Payments on line of credit	(3,000)	-
Net cash flows provided (used) by financing activities	(15,540)	25,000
Net increase (decrease) in cash and cash equivalents	(41,051)	45,023
Cash and cash equivalents, beginning of year	140,655	95,632
Cash and cash equivalents, end of year	\$ 99,604	\$ 140,655
Supplemental Disclosures:		
Interest paid	\$ 1,609	\$ 772
Non-cash contributions		
In-kind contributions	\$ 130,918	\$ 76,011
Donated stock	\$ -	\$ -

The Accompanying Notes Are An Integral Part of These Financial Statements

NORTHERN NEW MEXICO RADIO FOUNDATION

Statement of Functional Expenses
For the Year Ended December 31, 2016

	2016			
	KSFR Station Operations	Management & Administrative	Fundraising	Total
Salary and Related Expenses				
Salaries and commissions	\$ 262,915	\$ 60,673	\$ 80,896	\$ 404,484
Payroll taxes	36,033	8,316	11,087	55,436
Total salary and related expenses	298,948	68,989	91,983	459,920
Other Expenses				
Advertising	-	-	2,291	2,291
Bank and credit card charges	-	759	7,892	8,651
Contractors	38,289	-	-	38,289
Dues and memberships	4,732	-	-	4,732
Fund drive expenses	-	-	844	844
Insurance	12,028	-	-	12,028
Interest	1,609	-	-	1,609
Licenses and fees	1,514	50	-	1,564
Miscellaneous	747	748	-	1,495
Postage	-	2,536	-	2,536
Printing	3,998	393	4,391	8,782
Professional services	-	15,821	-	15,821
Programming and website	55,601	-	-	55,601
Promotional merchandise	-	-	1,003	1,003
Provision for bad debts	100	-	-	100
Repairs & Maintenance	1,413	-	-	1,413
Special events	-	-	2,217	2,217
Station operations	5,398	-	-	5,398
Station operations, small equipment	2,200	-	-	2,200
Supplies	9,589	2,213	2,950	14,752
Travel	1,511	1,511	-	3,022
Tower, Pajarito	34,963	-	-	34,963
Tower, West Alameda	8,548	-	-	8,548
Total other expenses	182,240	24,031	21,588	227,859
Total salary and other expenses before non-cash expenses	481,188	93,020	113,571	687,779
Non-cash Expenses				
Depreciation expense	804	-	-	804
Advertising and other, in-kind	82,999	-	20,749	103,748
Rent, in-kind	23,094	4,076	-	27,170
Total non-cash expenses	106,897	4,076	20,749	131,722
Total functional expenses	\$ 588,085	\$ 97,096	\$ 134,320	\$ 819,501

The Accompanying Notes are an Integral Part of These Financial Statements

NORTHERN NEW MEXICO RADIO FOUNDATION

Statement of Functional Expenses
For the Year Ended December 31, 2015

	2015			
	<u>KSFR Station Operations</u>	<u>Management & Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salary and Related Expenses				
Salaries and commissions	\$ 327,114	\$ 29,838	\$ 85,094	\$ 442,046
Payroll taxes	40,076	3,656	10,425	54,157
Employee benefits and expenses	515	47	133	695
Total salary and related expenses	367,705	33,541	95,652	496,898
Other Expenses				
Reimbursement expenses	-	-	986	986
Advertising	2,786	-	-	2,786
Bank and credit card charges	105	-	8,116	8,221
Broadcast supplies	289	-	-	289
Contractors	17,104	-	-	17,104
Dues and memberships	2,313	-	-	2,313
Fund drive expenses	-	-	1,458	1,458
Insurance	4,057	716	-	4,773
Interest	579	54	139	772
Licenses and fees	998	53	-	1,051
Miscellaneous	2,211	292	-	2,503
Postage	-	372	3,343	3,715
Professional services	13,716	19,454	-	33,170
Programming and website	41,255	-	-	41,255
Promotional merchandise	-	-	28	28
Provision for bad debts	100	-	-	100
Special events	110	552	8,399	9,061
Station operations	399	-	-	399
Station operations, small equipment	5,527	-	-	5,527
Supplies	1,335	2,670	1,334	5,339
Telecommunications	2,931	123	31	3,085
Tower, Pajarito	39,999	-	-	39,999
Tower, West Alameda	2,066	-	-	2,066
Total other expenses	137,880	24,286	23,834	186,000
Total salary and other expenses before non-cash expenses	505,585	57,827	119,486	682,898
Non-cash Expenses				
Depreciation expense	804	-	-	804
Advertising and other, in-kind	47,411	-	-	47,411
Rent, in-kind	28,684	1,208	301	30,193
Total non-cash expenses	76,899	1,208	301	78,408
Total functional expenses	\$ 582,484	\$ 59,035	\$ 119,787	\$ 761,306

The Accompanying Notes are an Integral Part of These Financial Statements

NORTHERN NEW MEXICO RADIO FOUNDATION

Notes to the Financial Statements

December 31, 2016 and 2015

(1) Organization and Nature of Activities

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

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

(2) Summary of Significant Accounting Principles

Basis of Accounting and Use of Estimates

The accompanying financial statements have been prepared on the accrual basis of accounting. 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.

Financial Statement Presentation

Financial statement presentation follows the recommendations of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-210-45, *Financial Statements of Non-Profit Entities* which requires the Foundation to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

NORTHERN NEW MEXICO RADIO FOUNDATION

Notes to the Financial Statements

December 31, 2016 and 2015

(2) Summary of Significant Accounting Principles, (continued)

Financial Statement Presentation, (continued)

Unrestricted net assets are assets not subject to stipulations imposed by the donor and are currently available for expenditure. Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by explicit donor restrictions. Contributions are reported as unrestricted where donor-imposed restrictions are met in the same reporting period as they are received. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law. Unrestricted net assets include net assets transferred from temporarily restricted net assets after temporary restrictions imposed by the donor have been accomplished or the stipulated time period has elapsed.

Temporarily restricted net assets are assets subject to explicit restrictions imposed by the donor on the expenditure of contributions or income and gains on contributed assets. The temporary restrictions may expire due to the passage of time or the occurrence of expenditures that fulfill the restrictions.

Permanently restricted net assets are assets subject to explicit stipulations imposed by the donor to be maintained in perpetuity by the Foundation. The Foundation would be allowed to use part or all of the income derived from the resources. No permanently restricted assets were held during the year; accordingly, these financial statements do not reflect any activity related to this class of net assets.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of three months or less. For purposes of the statement of cash flows, the Foundation considers all cash accounts to be cash equivalents.

Accounts, Government, Grants and Pledges

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

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

NORTHERN NEW MEXICO RADIO FOUNDATION

Notes to the Financial Statements

December 31, 2016 and 2015

(2) Summary of Significant Accounting Principles, (continued)

Allowance for Doubtful Accounts

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Foundation has an allowance for doubtful accounts in the amount of \$600 at December 31, 2016 and 2015.

Property and Equipment

The Foundation capitalizes property and equipment over \$1,000 with a useful life greater than a year. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost if purchased or fair value if donated. Donations of property and equipment are recorded as contributions at their estimated fair value. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from five to ten years.

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

Revenue Recognition

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

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

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

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

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

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

NORTHERN NEW MEXICO RADIO FOUNDATION

Notes to the Financial Statements

December 31, 2016 and 2015

(2) Summary of Significant Accounting Principles, (continued)

Revenue Recognition (continued)

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

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

Advertising

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

Functional Expense Allocation

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

Income Taxes

The Foundation is a non-profit organization that is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3) and classified by the Internal Revenue Service as other than a private foundation. The Foundation does not have unrelated business income and, accordingly, no provisions for income taxes have been made in the accompanying financial statements. The Foundation files an annual information return (Form 990) with the Internal Revenue Service. There are no uncertain tax positions for the years ended December 31, 2016 and 2015. As of December 31, 2016, tax years 2013 through 2015 remain subject to examination by major tax authorities.

(3) Cash and Cash Equivalents

Cash and cash equivalents consisted of cash at financial institutions, balances in these accounts at December 31 are as follows:

	2016	2015
Checking and savings	\$ 98,629	\$ 140,655
PayPal	975	-
	<u>\$ 99,604</u>	<u>\$ 140,655</u>

The Foundation maintained uninsured cash balances at a financial institution in excess of the \$250,000 FDIC insurance and in the money market mutual funds as of December 31, 2016 and 2015, respectively. The Foundation has not experienced any losses and does not believe it is exposed to any significant credit risk on cash balances.

NORTHERN NEW MEXICO RADIO FOUNDATION

Notes to the Financial Statements

December 31, 2016 and 2015

(4) Receivables

Accounts Receivable, Net - The Foundation had \$44,907 and \$36,278 in accounts receivable associated with underwriting revenue at December 31, 2016 and 2015, respectively. Management has established a \$600 allowance for doubtful accounts related to underwriting revenues at December 31, 2016 and 2015.

Government Receivable - The Foundation had \$0 and \$2,916 in government receivables at December 31, 2016 and 2015 respectively. Management has not established an allowance for doubtful accounts for government receivables.

Grant Receivable - The Foundation had \$75,000 and \$75,000 in grant receivables at December 31, 2016 and 2015, respectively. Management has not established an allowance for doubtful accounts for grants receivable

Pledges Receivable - The Foundation has \$0 and \$20,000 in pledges receivable at December 31, 2016 and 2015. Pledges receivable represent pledges made during the calendar year that are estimated will be paid in monthly installments during the next calendar year. Management has not established an allowance for doubtful accounts for pledges receivable.

(5) Property and Equipment

A summary of property and equipment at December 31 is as follows:

	<u>2016</u>	<u>2015</u>
Property and equipment	\$ 130,922	\$ 130,922
Less accumulated depreciation	(128,644)	(127,838)
Net depreciable assets	<u>\$ 2,278</u>	<u>\$ 3,084</u>

Depreciation expense for the year ended December 31, 2016 and 2015 was \$804 and \$804, respectively.

(6) Payroll and payroll tax payable

The Foundation has unpaid payroll taxes from September 2016 through December 31, 2016. The payroll taxes consist of the employee and employer portion Social Security and Medicare as well as employee income tax withholding. These payroll taxes are delinquent and the interest and penalties are undeterminable.

(7) Line of Credit

The Foundation maintains a one year line of credit agreement with a bank which permits the Foundation to borrow up to \$25,000 at a variable interest rate based on the Wall Street Journal Prime rate, with a minimum interest rate of 5.5%. The balance on the line of credit was \$17,789 and \$25,000 as of December 31, 2016 and 2015, respectively. The maturity date of the line of credit is April 21, 2017.

NORTHERN NEW MEXICO RADIO FOUNDATION

Notes to the Financial Statements

December 31, 2016 and 2015

(8) **Loan Payable to Employee**

The Foundation received \$35,080 from an employee to help the Foundation with short term cash flow needs during the 2014 year. A portion of the loan was forgiven in 2016, \$22,540 is still outstanding as of December 31, 2016. The loan does not carry interest and does not have repayment terms. No interest has been imputed on the loan during the year ending December 31, 2016 and 2015.

(9) **Temporarily Restricted Net Assets**

Temporarily restricted net assets at December 31, 2016 consist of a grant in the amount of \$225,000 for which the Foundation has received \$150,000. The remaining grant balance will be received in 2017. Of the \$150,000 received, \$150,000 has been spent on the grants restricted purpose.

(10) **Special Events**

The Foundation held four special events in 2016. The net income from each even is as follows:

Ever the Twain Shall Meet	\$	6,300
Astrology Event		635
Helen Sung Concert		2,445
Amy Goodman Public Media Benefit		3,715
	\$	<u>13,095</u>

(11) **Leases**

The Foundation has a lease commitment with a third party to rent tower space. The Foundation pays approximately \$1,500 per month for the tower space. There is currently no maturity date on the lease.

(12) **Funds Held for Others**

The Foundation has an agency account (fiscal intermediary) for another entity and the cash account uses the Foundation's tax identification number. An agency account represents activity that is not part of the Foundation's financial statements. These revenues and expenses are not recorded in the financial statements. Any cash balances is reported as an asset and liability. As of December 31, 2016 cash held for the other entity totaled \$14,928 and the prior year balance is unknown.

(13) **Prior Period Adjustment**

The Foundation had accounts receivable, accounts payable, and deferred revenue on the Statement of Financial Position that were realized in prior periods. The prior period adjustment corrected the balances in the accounts for the year ended December 31, 2016

NORTHERN NEW MEXICO RADIO FOUNDATION

Notes to the Financial Statements

December 31, 2016 and 2015

(14) Commitments and Contingencies

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

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

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

Economic Dependency - The Foundation receives a significant portion of its support and revenues from its donor base and is, therefore, subject to possible loss of funding due to changes in general economic conditions and donor discretion. The Foundation received approximately 31% and 47% of its revenues from its donor base for the years ended December 31, 2016 and 2015, respectively.

In addition, the Foundation receives a significant portion of its revenues from grants and is, therefore, subject to possible loss of revenue due to the loss of current grants or the inability to secure future grants. The Foundation received approximately 34% and 16% of its revenues from grants for the years ended December 31, 2016 and 2015, respectively.

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

NORTHERN NEW MEXICO RADIO FOUNDATION

Notes to the Financial Statements

December 31, 2016 and 2015

(15) Donated Assets and Services

Generally accepted accounting principles requires that professional service hours be recorded in the financial statements, but not volunteer hours. Volunteers and Board Members have donated significant amounts of their time in the Foundation. The value of these hours could not be estimated

For the year ended December 31, 2016, in-kind contributions consisted of rent valued at \$27,170 and advertising and other items in the amount of \$103,748. For the year ended December 31, 2015, in-kind contributions consisted of rent valued at \$30,193 and advertising and other items in the amount of \$47,411.

(16) Subsequent Events

Management and the Board of Directors of the Foundation have evaluated events through August 14, 2017, the date the financial statements were available to be issued. The delinquent payroll taxes for 2016 have been paid in full. This does not require adjustments to the financial statements.