

Annual Financial Report

2011-2012



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New Mexico State University
KRWG-FM
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June 30, 2012 and 2011

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REPORT OF INDEPENDENT AUDITORS

Board of Regents
New Mexico State University
Las Cruces, New Mexico

We have audited the accompanying statement of net assets of KRWG-FM (Station) (a public broadcasting entity operated by, and a department of, New Mexico State University) as of June 30, 2012 and 2011, and the related statement of revenues, expense and changes in net assets; and statement of cash flows for the years then ended. These financial statements are the responsibility of the Station's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Station's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, the financial statements of KRWG-FM are intended to present the financial position and the changes in financial position and, where applicable, cash flows of only that portion of the business-type activities of New Mexico State University that is attributable to the transactions of the Station. They do not purport to, and do not, present fairly the financial position of New Mexico State University as of June 30, 2012 and 2011, and the change in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KRWG-FM as of June 30, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

KRWG-FM has omitted management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Moss Adams LLP

Albuquerque, New Mexico
November 12, 2012

KRWG-FM

Statements of Net Assets

June 30, 2012 and 2011

	2012	2011
ASSETS		
Current assets		
Cash and cash equivalents	\$ 743,234	\$ 597,607
Accounts receivable	48,235	14,515
Total current assets	<u>791,469</u>	<u>612,122</u>
Non-current assets		
Capital assets - equipment, net (Note 5)	<u>109,972</u>	<u>34,796</u>
TOTAL ASSETS	<u>901,441</u>	<u>646,918</u>
LIABILITIES		
Current liabilities		
Accounts payable	3,073	5,902
Unearned revenue	155,713	79,360
Total current liabilities	<u>158,786</u>	<u>85,262</u>
NET ASSETS		
Invested in capital assets	109,972	34,796
Restricted for:		
Non-expendable:		
Endowments	165,819	181,229
Expendable:		
General activities	429,999	315,288
Equipment	-	857
Unrestricted	<u>36,865</u>	<u>29,486</u>
TOTAL NET ASSETS	<u>\$ 742,655</u>	<u>\$ 561,656</u>
The accompanying notes are an integral part of these financial statements.		

KRWG-FM

Statements of Revenues, Expenses and Changes in Net Assets For the Years Ended June 30, 2012 and 2011

	2012	2011
REVENUES		
Operating revenues		
Corporation for Public Broadcasting grants	\$ 131,845	\$ 159,507
Underwriting	126,372	135,674
Donated facilities and administrative support	71,535	83,823
Donated property and personal service	19,240	34,459
Sales and services	24,027	28,751
Total operating revenues	<u>373,019</u>	<u>442,214</u>
EXPENSES		
Operating expenses		
Programming and production	422,856	503,310
Broadcasting and technical	62,592	68,648
Public information	5,857	38,575
Management and general	120,782	128,760
Program services	142,182	154,447
Contractual services	35,093	43,124
Supporting services	29,068	12,278
Total operating expenses	<u>818,430</u>	<u>949,142</u>
Net operating loss	<u>(445,411)</u>	<u>(506,928)</u>
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	352,679	409,679
Membership and other non-exchange gifts	271,007	239,056
Gain on disposal of plant equipment	2,724	-
Total non-operating revenues	<u>626,410</u>	<u>648,735</u>
Increase in net assets	180,999	141,807
NET ASSETS		
Beginning of year	561,656	419,849
End of year	<u>\$ 742,655</u>	<u>\$ 561,656</u>
The accompanying notes are an integral part of these financial statements.		

KRWG-FM**Statements of Cash Flows****For the Years Ended June 30, 2012 and 2011**

	2012	2011
Cash flows from operating activities		
Underwriting	\$ 188,245	\$ 208,465
Corporation for public broadcasting grants	131,845	159,507
Payments to suppliers	(325,053)	(417,248)
Payments for travel	(4,298)	(4,751)
Payments for employee and employee benefits	(391,305)	(428,869)
Receipts from sales and services	24,027	28,751
Net cash used in operating activities	<u>(376,539)</u>	<u>(454,145)</u>
Cash flows from non-capital financing activities		
State appropriations	352,679	409,679
Membership and other non-exchange gifts and grants	271,007	239,056
Net cash provided by non-capital financing activities	<u>623,686</u>	<u>648,735</u>
Cash flows from capital and related financing activities		
Purchases of equipment	<u>(101,520)</u>	-
Net cash used in capital and related financing activities	<u>(101,520)</u>	-
Net increase in cash	145,627	194,590
Cash and cash equivalents-beginning of year	<u>597,607</u>	<u>403,017</u>
Cash and cash equivalents-end of year	<u><u>\$ 743,234</u></u>	<u><u>\$ 597,607</u></u>
Reconciliation of net operating loss to net cash used by operating activities		
Operating loss	\$ (445,411)	\$ (506,928)
Adjustment to reconcile net loss to net cash used by operating activities:		
Depreciation expense	29,068	12,278
Change in assets and liabilities:		
Increase in accounts receivable	(33,720)	(957)
Increase (Decrease) in accounts payable	(2,829)	2,173
Increase (Decrease) in deferred revenue	76,353	39,289
Net cash used in operating activities	<u><u>\$ (376,539)</u></u>	<u><u>\$ (454,145)</u></u>
The accompanying notes are an integral part of these financial statements.		

KRWG-FM
Notes to Financial Statements
For the Years Ended June 30, 2012 and 2011

Note 1: Organization, Nature of Operations, and Reporting Entity

New Mexico State University KRWG-FM (the Station) is an unincorporated public telecommunication entity supported by the Corporation for Public Broadcasting (CPB) and is a wholly owned program operated by New Mexico State University (the University) under a license issued by the Federal Communications Commission. These financial statements present only the transactions related to the funds of the Station and do not purport to include the transactions of the University or of the State of New Mexico, of which the University is an agency.

The Station's purpose is to provide public educational radio to the community of Las Cruces, New Mexico and the surrounding areas.

Operating revenues are primarily derived from community service grants from the CPB and fundraising activities.

Note 2: Summary of Significant Accounting Policies

Basis of Presentation. The Station, being a department of the University, follows generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB). The assets, liabilities and activity of the Station are included in the separately issued financial statements of the University.

Basis of Accounting. The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the GASB using the accrual basis of accounting.

The Station has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless the FASB pronouncement conflicts with GASB guidance. The Station has elected to not apply FASB pronouncements issued after the applicable date.

Statement of Net Assets. Current assets consist of unrestricted assets, which are available for current operations or which will be available within one year and restricted assets that will be used in current operations. All other assets are reported as non-current assets. Current liabilities consist of those liabilities that are due within one year.

Cash and Cash Equivalents. Cash and cash equivalents consist of cash on hand and current investments, which are defined as investments that are readily convertible to known amounts of cash or which have an original maturity date within ninety days. Cash of \$233,354 and \$225,760 was held by the University on behalf of the Station in a cash management pool at June 30, 2012 and 2011, respectively. The Station follows all University established cash management procedures. In accordance with State of New Mexico Statutes, the University requires a minimum of 50 percent collateralization of all uninsured funds deposited with a financial institution, with the exception of repurchase agreements, which require 102 percent collateralization. All collateral is held in third-party safekeeping in the name of the University. Cash held by the New Mexico State University Foundation, Inc. (the Foundation) on behalf of the Station at June 30, 2012 and 2011, respectively, totaled \$509,880

KRWG-FM
Notes to Financial Statements
For the Years Ended June 30, 2012 and 2011

Note 2: Summary of Significant Accounting Policies (continued)

and \$270,955 and were fully collateralized. See Note 3 for further discussion of the relationship with the Foundation.

Accounts Receivable. Accounts receivable includes amounts due from underwriters that received the benefit of an on-air credit but had not paid a reciprocal amount of their pledge amount as of the fiscal year end. Station management believes all amounts are fully collectible.

In-Kind Contributions. Donated facilities from the University consist of office and studio space together with related occupancy costs. Administrative support consists of allocated institutional support and operation and maintenance of plant costs incurred by the University on behalf of the Station. The Station recognizes the revenue from donated facilities and administrative support offset by an expense to management and general. Donated facilities and administrative support amounted to \$71,535 and \$83,823 for the years ended June 30, 2012 and 2011, respectively.

For the fiscal years ended June 30, 2012 and June 30, 2011, respectively, the Station received donated property and services of \$19,240 and \$34,459. These amounts do not meet the requirements of non-federal financial support as outlined by the CPB.

Capital Assets. Capital assets, equipment having a minimum value of \$5,000 or greater are recorded at cost or, if donated by an external source, at fair market value at the date of donation.

Depreciation is computed using the straight-line method over the estimated useful life of the assets. Two class lives are used: 6 years and 15 years.

Current Liabilities. Current liabilities include accounts payable for goods and services received at the balance sheet date but payment for such goods and services had not been made. Deferred revenues from underwriting activities are the result of pledges being received in advance of the on-air credits that will be broadcast in the coming fiscal year.

The Station did not have any outstanding short-term or long-term debt at June 30, 2012 and 2011.

Annual and Sick Leave. Exempt and non-exempt employees earn annual leave at a rate of 22 working days per year and sick leave at a rate of 12 working days per year. The University policy allows employees to accumulate a maximum of 30 unused annual leave days. Unpaid annual leave for non-exempt individuals employed by the University for over six months and for exempt individuals is paid upon termination. Unpaid sick leave over 75 days is paid upon termination at one-half the employee's hourly rate, to a maximum of 25 days. Accrued leave is expensed as earned in the account that salary expense is charged. Accrued leave taken is charged to the common University leave pool account.

KRWG-FM
Notes to Financial Statements
For the Years Ended June 30, 2012 and 2011

Note 2: Summary of Significant Accounting Policies (continued)

Net Assets. When an expense is incurred that can be paid using either restricted or unrestricted sources, the University's policy is to charge the expense to a restricted source and then to an unrestricted source.

Invested in Capital Assets represent the total capital assets used by the Station for operations.

Restricted Net Assets-Expendable consist of expendable resources which the Station is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted Net Assets are derived from all other sources such as state appropriations, sales and services and interest earnings. The use of such funds is made at the discretion of the Station or the University's Board of Regents.

Income Taxes. The University and the Station, as an instrumentality of the State of New Mexico, is exempt from federal income taxes under Section 115 of the Internal Revenue Code (IRC). Contributions to the University and the Station are deductible by donors as provided under Section 170 of the IRC and consistent with the provisions under Section 501(c)(3) of the IRC.

Classification of Revenues.

Operating revenues include activities that have the characteristics of exchange transactions, such as grants from the CPB, underwriting pledges (reported as fundraising revenue) to the extent of broadcasted on-air credits, sales and services and donated goods and services.

Non-Operating revenues include activities that have characteristics of non-exchange transactions, such as state appropriations, membership receipts and other gifts and revenue sources.

Classification of Expenses.

Operating expenses include activities that have the characteristics of exchange transactions, such as salaries and fringe benefits, supplies and services and depreciation expense of capital assets.

Non-Operating expenses include activities that have characteristics of non-exchange transactions, such as the disposal of capital assets and other non-operating transactions.

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Notes to Financial Statements
For the Years Ended June 30, 2012 and 2011

Note 2: Summary of Significant Accounting Policies (continued)

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 3: Related Entity

The New Mexico State University Foundation, Inc. (the Foundation) is a non-profit corporation formed for the purpose of obtaining and disbursing funds for the sole benefit of the University, which includes the Station. During the fiscal years ended June 30, 2012 and 2011, the Foundation received \$487,755 and \$411,027 on behalf of the Station through various fund raising endeavors initiated and performed primarily by Station employees and volunteers. Such amounts are reported as Underwriting and Membership and Gifts in the accompanying Statement of Revenues, Expenses and Changes in Net Assets. In addition, in 2012 and 2011, the Foundation invested permanently restricted endowment funds totaling \$130,969 and \$107,393, respectively, on behalf of the Station. Endowment funds received in the fiscal years 2012 and 2011 amounted to \$36,426 and \$7,462, respectively. Interest earned on endowment funds not available for expenditure totaled \$1,510 and \$4,656 for June 30, 2012 and 2011, respectively.

Note 4: Retirement Program

Plan Description Substantially all of the University's eligible employees, except those who participate in the Alternative Retirement Plan (ARP) described below, participate in a public employee retirement system authorized under the Educational Retirement Act (ERA) of the State of New Mexico (Chapter 22, Article 11 NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits, and cost-of-living adjustments to plan members (certified teachers, and other employees of State public school districts, colleges and universities) and beneficiaries. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to ERB, P.O. Box 26129, Santa Fe, New Mexico 87502. The report is also available on ERB's website at www.nmerb.org.

Funding Policy As of July 1, 2011, the contribution required by employees earning more than \$20,000 was 11.15% and the University contribution was 9.15%. Employees earning \$20,000 or less (on a full-time annualized basis) contributed 7.9% of gross salary and the University contributed 12.4%. As of July 1, 2012, the contribution required by employees earning more than \$20,000 will decrease to 9.40% and the University contribution will increase to 10.90%. The contribution rates remain unchanged for employees earning \$20,000 or less. The contribution requirements of plan members and the University are established in State Statute under Chapter 22, Article 11 NMSA 1978. The requirements may be

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Notes to Financial Statements

For the Years Ended June 30, 2011 and 2010

Note 4: Retirement Program (continued)

amended by acts of the legislature. The University's contribution with regards to the Station the years ended June 30, 2012, 2011 and 2010 are \$28,354, \$36,546 and \$29,033, respectively, which equal the amount of the required contributions for each fiscal year.

Note 5: Capital Assets

Capital assets of the Station consist of equipment having an initial cost of \$5,000 or greater and a useful life greater than one year. Donated assets having a fair market value at the date of the gift of \$5,000 or more and a useful life in excess of one year are also recorded as capital assets.

The changes in the capital asset balance for the years ended June 30, 2012 and 2011 were as follows:

	Balance July 1, 2011	Additions	Retirements	Adjustments/ Transfers	Balance June 30, 2012
Equipment	\$ 368,329	\$ 101,520	\$ -	\$ 6,111	\$ 475,960
Depreciation	(333,533)	(29,068)	-	(3,387)	(365,988)
Equipment, net	<u>\$ 34,796</u>	<u>\$ 72,452</u>	<u>\$ -</u>	<u>\$ 2,724</u>	<u>\$ 109,972</u>

	Balance July 1, 2010	Additions	Retirements	Adjustments/ Transfers	Balance June 30, 2011
Equipment	\$ 368,329	\$ -	\$ -	\$ -	\$ 368,329
Depreciation	(321,255)	(12,278)	-	-	(333,533)
Equipment, net	<u>\$ 47,074</u>	<u>\$ (12,278)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,796</u>

Note 6: Contingencies – Insurance Coverage

The Station is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; and errors and omissions and natural disasters. The Station is insured under the New Mexico State University's Risk Management for liability and casualty insurance. There have been no significant reductions in coverage from prior year and settlements have not exceeded coverage in the past three years.