

# New Mexico State University All About Discovery!



Annual Financial Report  
**2012-2013**

**New Mexico State University**  
**KRWG-TV**  
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**June 30, 2013 and 2012**

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## REPORT OF INDEPENDENT AUDITORS

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of KRWG-TV (Station) (a public broadcasting entity operated by, and a department of, New Mexico State University) as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Station's basic financial statements as listed in the table of contents.

### ***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 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 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 Station'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.

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

As described in Note 1, the financial statements of KRWG-TV are intended to present the financial position and the changes in financial position and 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, 2013 and 2012, and the change in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Station as of June 30, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

KRWG-TV 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.

Albuquerque, New Mexico  
November 22, 2013

**KRWG-TV****Statements of Net Position****June 30, 2013 and 2012**

	2013	2012
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,386,018	\$ 1,224,298
Accounts receivable	-	28,196
<b>Total current assets</b>	<u>1,386,018</u>	<u>1,252,494</u>
<b>Non-current assets</b>		
Capital assets - equipment, net (Note 5)	<u>345,733</u>	<u>526,869</u>
<b>TOTAL ASSETS</b>	<u>1,731,751</u>	<u>1,779,363</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable	998	16,075
Unearned Income	<u>686,643</u>	<u>813,743</u>
<b>Total current liabilities</b>	<u>687,641</u>	<u>829,818</u>
<b>NET POSITION</b>		
Invested in capital assets	345,733	526,869
Restricted for:		
Non-expendable:		
Endowments	95,838	92,583
Expendable:		
General activities	292,019	52,089
Unrestricted	<u>310,520</u>	<u>278,004</u>
<b>TOTAL NET POSITION</b>	<u>\$ 1,044,110</u>	<u>\$ 949,545</u>
The accompanying notes are an integral part of these financial statements.		

**KRWG-TV****Statements of Revenues, Expenses and Changes in Net Position  
For the Years Ended June 30, 2013 and 2012**

	2013	2012
<b>REVENUES</b>		
<b>Operating revenues</b>		
Corporation for Public Broadcasting grants	\$ 809,298	\$ 748,699
Underwriting	48,762	58,772
Donated facilities and administrative support	197,764	185,147
Donated property and personal service	6,416	8,182
Sales and services	112,560	23,339
<b>Total operating revenues</b>	<u>1,174,800</u>	<u>1,024,139</u>
<b>EXPENSES</b>		
<b>Operating expenses</b>		
Programming and production	315,947	291,115
Broadcasting and technical	315,295	356,153
Management and general	1,357,815	1,288,899
Program services	41,207	65,243
Supporting services	191,868	340,557
<b>Total operating expenses</b>	<u>2,222,132</u>	<u>2,341,969</u>
<b>Net operating loss</b>	<u>(1,047,333)</u>	<u>(1,317,830)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State appropriations	960,500	949,300
Membership and other non-exchange gifts and grants	181,397	146,877
Other non-operating expense	-	(1,790)
Gain on disposal of equipment	-	18,721
<b>Total non-operating revenues</b>	<u>1,141,897</u>	<u>1,113,108</u>
<b>Increase (Decrease) in net position</b>	94,565	(204,722)
<b>NET POSITION</b>		
Beginning of year	949,545	1,154,267
End of year	<u>\$ 1,044,110</u>	<u>\$ 949,545</u>
The accompanying notes are an integral part of these financial statements.		

**KRWG-TV****Statements of Cash Flows****For the Years Ended June 30, 2013 and 2012**

	2013	2012
<b>Cash flows from operating activities</b>		
Underwriting	\$ 76,958	\$ 40,992
Corporation for public broadcasting grants	893,559	942,028
Payments to suppliers	(1,085,912)	(1,315,734)
Payments for travel	(7,954)	(8,784)
Payments for employee and employee benefits	(958,657)	(681,231)
Receipts from sales and services	112,560	23,339
Net cash used in operating activities	<u>(969,446)</u>	<u>(999,389)</u>
<b>Cash flows from non-capital financing activities</b>		
State appropriations	960,500	949,300
Membership and other non-exchange gifts and grants	181,397	145,087
Net cash provided by non-capital financing activities	<u>1,141,897</u>	<u>1,094,387</u>
<b>Cash flows from capital and related financing activities</b>		
Other non-operating income	-	15,996
Purchases of equipment	<u>(10,732)</u>	<u>(229,252)</u>
Net cash used in capital and related financing activities	<u>(10,732)</u>	<u>(213,256)</u>
<b>Net increase (decrease) increase in cash</b>	161,719	(118,258)
<b>Cash and cash equivalents-beginning of year</b>	<u>1,224,298</u>	<u>1,342,558</u>
<b>Cash and cash equivalents-end of year</b>	<u>\$ 1,386,018</u>	<u>\$ 1,224,298</u>
<b>Reconciliation of net operating loss to net cash used by operating activities</b>		
Operating loss	\$ (1,047,333)	\$ (1,317,830)
Adjustment to reconcile net loss to net cash used by operating activities:		
Depreciation expense	191,868	340,557
Change in assets and liabilities:		
Decrease in accounts receivable	28,196	18,089
Decrease in accounts payable	(15,077)	(4,336)
(Decrease) in deferred revenue	(127,101)	(35,869)
Net cash used in operating activities	<u>\$ (969,446)</u>	<u>\$ (999,389)</u>
The accompanying notes are an integral part of these financial statements.		

**KRWG-TV**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2013 and 2012**

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

New Mexico State University KRWG-TV (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 television 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.

The 2012 operating expense classifications have been changed for consistency to 2013 presentation.

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

**Statement of Net Position.** 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 \$1,063,661 and \$824,276 was held by the University on behalf of the Station in a cash management pool at June 30, 2013 and 2012, 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, 2013 and 2012, respectively, totaled \$322,408 and \$400,023, and were fully collateralized. See Note 3 for further discussion of the relationship with the Foundation.



**KRWG-TV**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2013 and 2012**

**Note 2: Summary of Significant Accounting Policies (continued)**

**Accounts Receivable.** Accounts receivable includes amounts due from underwriters that received the benefit of a non-air credit but had not paid a reciprocal amount of their pledge amount at the balance sheet date. 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 \$204,947 and \$185,147 at June 30, 2013 and 2012, respectively.

For the fiscal years ended June 30, 2013 and June 30, 2012, the Station received donated property and services of \$6,416 and \$8,182, respectively, none of which met the definition 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. Unearned 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, 2013 and 2012.

**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.

**Net Position.** The station's net position is classified as follows:

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

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

**KRWG-TV**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2013 and 2012**

**Note 2: Summary of Significant Accounting Policies (continued)**

*Unrestricted Net Position* 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.

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.

**Elimination Entries.** Elimination entries have been made to the Statement of Revenues, Expenses and Changes in Net Position in order to remove the effect of internal charges and transactions incurred for service activities in excess of the cost of providing those services within the Station's Operating and Capital Asset accounts.

**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.

**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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**KRWG-TV**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2013 and 2012**

**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, 2013 and 2012, the Foundation received \$424,203 and \$369,241, respectively, on behalf of the Station through various fund raising endeavors initiated and performed primarily by Station employees and volunteers and reported as Membership and Gifts in the accompanying Statement of Revenues, Expenses and Changes in Net Position. In addition, in 2013 and 2012 the Foundation invested permanently restricted endowment funds totaling \$96,488 and \$92,683, respectively, on behalf of the Station. Interest on endowment funds for fiscal years 2013 and 2012 not available for expenditure totaled \$3,264 and \$3,205, 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](http://www.nmerb.org).

Funding Policy As of July 1, 2012, the contribution required by employees earning more than \$20,000 was 9.4% and the University contribution was 10.9%. 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, 2013, the contribution required by employees earning more than \$20,000 increased to 10.1% and the University contribution increased to 13.15%. The contribution rates remain unchanged for employees earning \$20,000 or less, however the university contribution increased to 13.15%. The University's contribution with regards to the Station to the ERB for the years ended June 30, 2013 and 2012 are \$92,466, \$60,498, respectively, which equals the amount of the required contributions for each fiscal year.

**KRWG-TV**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2013 and 2012**

**Note 5: Capital Assets**

Capital assets of the Station consist of equipment having a book value 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 in excess 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, 2013 and 2012 were as follows:

	Balance July 1, 2012	Additions	Retirements	Adjustments/ Transfers	Balance June 30, 2013
Equipment	\$ 3,826,367	\$ 10,732	\$ (24,229)	\$ -	\$ 3,812,870
Depreciation	(3,299,498)	(191,868)	24,229	-	(3,467,137)
Equipment, net	<u>\$ 526,869</u>	<u>\$ (181,136)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 345,733</u>

	Balance July 1, 2011	Additions	Retirements	Adjustments/ Transfers	Balance June 30, 2012
Equipment	\$ 4,272,385	\$ 230,505	\$ (682,634)	\$ 6,111	\$ 3,826,367
Depreciation	(3,636,936)	(340,557)	681,382	(3,387)	(3,299,498)
Equipment, net	<u>\$ 635,449</u>	<u>\$ (110,052)</u>	<u>\$ (1,252)</u>	<u>\$ 2,724</u>	<u>\$ 526,869</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.