

KUNM: CPB Required Compliance Information

September 20, 2015 by Richard Towne, General Manager [richardtowne at kunm.org](mailto:richardtowne@kunm.org)

The following information is provided as required by CPB (Corporation for Public Broadcasting) in compliance with the terms and conditions for KUNM to receive grant funds from CPB.

To reach CPB, please visit their website www.cpb.org.

KUNM studios and offices are in Oñate Hall (Building 156) on the University of New Mexico campus. Our offices are on the third floor of Onate Hall and we are open M-F from 8:00 until 5:00 or by appointment. Oñate Hall is on the southwest corner of Campus Blvd and Girard Street. Parking regulations are strictly enforced. E-mail addressed to [kunm at kunm.org](mailto:kunm@kunm.org) will be routed to the appropriate party.

KUNM's mailing address is
KUNM Radio
MSC06 3520
1 University of New Mexico
Albuquerque, NM 87131-0001

SECTION: CPB's Policy: Transparency

1. List of Station management and contact information:

- a. General Manager – Richard Towne (505) 277-8009 and richardtowne@kunm.org
- b. Program Director – Tristan Clum (505) 277-8005 and programming@kunm.org
- c. Development Director – Mary Oishi (505) 277-8006 and maryoishi@kunm.org

2. List of Board of Directors:

KUNM is licensed by the FCC to The University of New Mexico Board of Regents. The Regents website is <http://regents.unm.edu>. Current Regents are:

Jack L. Fortner – President

Robert M. Doughty - Vice President

Lieutenant General Bradley C. Hosmer, USAF (Ret.) - Secretary, Treasurer

James H. Koch

Marron Lee

Suzanne Quillen

Ryan Berryman- Student Regent

3. List of Community Advisory Board members:

KUNM is advised by the KUNM Radio Board, made up of appointed and elected members of the community: Current members are: John R. Brown, Alexandra Buresh, Armelle Casau, Pam Castaldi, Bob Davis (Chair), Caitlan Grann, Emma Grazier (Vice Chair), Jeffrey Long, Cedric Page, Rebecca Phillips, Margaret Ramirez (Secretary), Marc H. Robert, and Richard Towne. E-mail to radioboard-at-kunm.org.

4. Date, time and place of all open meetings as determined by the Communications Act:

The Regents meet as a whole and in committees: Their schedule and agendas can be found at <http://regents.unm.edu/> (Regents meetings and agendas). The Regents Open Meeting Policy is here Regents' Policy Manual - <http://policy.unm.edu/regents-policies/index.html>.

Section 1.3: Public Notice of Regents' Meetings.

The KUNM Radio Board normally meets on the first Tuesday of the month (excepting holidays and elections). Meetings are held in Oñate Hall, Rooms 133 and 134 from 6:00 until 8:00 p.m. Call KUNM (505) 277-4806 or e-mail kunm-at-kunm.org to confirm meetings. The public is welcome and can address the advisory Board on any matter desired subject to the discretion of the Board. Parking is strictly enforced.

5. Audited Financial Statements (please see below – Audited Financial Statements).

6. Information about how to obtain copies of annual financial reports:

Annual Financial Reports can be obtained at KUNM offices, or by calling the General Manager (505) 277-8009, or by e-mailing RichardTowne-at-kunm.org or by writing to KUNM's General Manager. KUNM will provide these reports as print outs, digital files (pdf) or in alternate formats as needed. Single copies of the reports are available at no cost.

7. IRS Form 990 when the grantee files its own 990 (*not applicable*).

8. Compensation information comparable to the information outlined in the IRS Form 990 Part VII A and contractor compensation in Part VII B for any grantee that is not required to file its own IRS Form 990.

For the uninitiated, IRS is requesting disclosure of officers and employees (including former officers and employees) making more than \$100,000 in annual compensation. *“List the organization’s five current highest compensated employees (other than an officer, director, trustee, or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations.”*

There are no such employees or former employees at KUNM meeting this criteria. In policy, the Regents delegate authority for KUNM to the University President and to the Provost (EVP for Academic Affairs.) Salaries for all UNM employees are available at the University of New Mexico's Sunshine Portal.

KUNM certifies that it is meeting Federal and State law regarding donor privacy and data security.

SECTION: CPB POLICY: Local Content and Services

CPB requires *“Every grantee is required to answer and post on its website Station Activity Survey questions related to its content and services that serve local needs, including quantitative and qualitative information about the impact of the local services in its community. The definition of local content and service will be determined by the grantee. When developing the answers, the grantee should consider the following elements: Description of activities; Reach of activities (number of plays, viewers, participants, etc.); Overall impact or outcomes; Community feedback on activity (direct quotes from participants, community leaders, etc.); and Partnerships (list of other organizations, including other public broadcasters) collaborating with grantee.*

1. *The purpose of this section is to give you an opportunity to tell us about special, innovative efforts in which the grant recipient is involved. Responses may be shared with the Congress or the public.*

A funding consortium lead by W. K. Kellogg Foundation and local foundations made grants of nearly \$500,000 to KUNM in 2012 so that we can hire reporters to focus on deep investigative reporting on poverty and public health in New Mexico for four years (ending June 2016). KUNM is seeking funds to continue this in-depth reporting effort..

2. *Please briefly assess the impact that your CPB funding has on your ability to serve your community. What can you do with your grant that you wouldn't be able to do if you didn't receive it?*

Our financial house is built with many, small, inter-locking walls. One of the walls is CPB. Another is an annual award of student fees by student government at UNM. Yet another is the contribution of for profit companies in NM sponsoring our programs. Similarly, we receive support from non-profit organizations in the state. This is important to us. The bottom line for us and the walls that shore up our financial operations is that removing any wall, including CPB, will cause the other walls to come down.

3. Please describe any special activities you have undertaken in the areas of community service and outreach during the Year.

None specifically, although our initial work in the Poverty and Public Health reporting program gives us new inroads to poor and rural communities. We are also teamed up with Fronteras – The Changing America Desk. This is a major focus for KUNM now. KUNM was named New Mexico "Station of the Year" in 2015 by the New Mexico Broadcaster's Association. And Website of the Year.

4. Please describe any special efforts you have made to increase your involvement with the educational community during the year. Include a brief description of any major educational services provided.

We have started connecting students from Biology to our Children's Radio Hour because the students bring fun animals and cool science to our show. We are showcasing that science is cool and Universities are the place to excel in science.

5. CPB is interested in learning more about stations' significant activities planned for the upcoming year – both broadcast and beyond broadcast. What types of on-air programs and off-air activities are you planning in the upcoming year that will connect your station more closely with your community? What goals are you setting in conjunction with these initiatives, and how will you measure your success?

We continue to build the Poverty and Public Health program for in-depth reporting on the impacts of health equity in New Mexico, including tribal and rural communities.

SECTION: CPB POLICY: Diversity Eligibility

CPB policy requires each Grantee to have:

(1) established a formal goal of diversity in its workforce, management and boards, including community advisory boards and governing boards having governance responsibilities specific to or limited to broadcast stations;

KUNM is licensed to The Regents of the University of New Mexico. KUNM follows UNM recruitment and employment policies with activities conducted in relationship with UNM's Division of Human Resources. Diversity goals are included in UNM Policies 3100 "Equal Opportunity & Affirmative Action" and 3210 "Recruitment and Hiring". Diversity is also referenced in the 1987 Regents' Policies including Section 2.4 "Diversity and Campus Climate" and Section 8.7 "KUNM Radio". In Policy 8.7, KUNM is required to "... serve the people in KUNM's listening area by providing a variety of high quality programming that serves diverse interests...". In 2015, UNM Human Resources added two free Diversity Resources for recruitment of paid positions. They are diversityjobs.com and diversityworking.com. All competitive postings at UNM will be promoted on those websites.

KUNM reports to the Office of the Provost. This Office also has responsibility for UNM's Diversity Council in conjunction with UNM's Division for Equity and Inclusion. Information on the Council's Diversity Plan is available at their website.

KUNM's internal "Policies and Procedures for Staff and Volunteers" state in Policy 24 "*Harmony*: KUNM is an equal opportunity employer in accordance with UNM policies. All staff is expected to regard others with respect and to practice tolerance of others regarding age, sex, race, class, nationality, sexual preference, spiritual or political beliefs, and those physically or mentally

challenged.”

KUNM’s Radio Board (advisory) carries a Bylaws mandate that (4.7) The appointment and election processes shall encourage the representation of women, minorities, and people of various socioeconomic backgrounds on the Board, as well as the representation of a broad array of points of view and philosophies.

CPB (2) also requires that Grantees have implemented the following initiatives to achieve that goal:

1. Review with the station’s governing board or licensee official those practices that are designed to fulfill the station’s commitment to diversity and to meet the applicable FCC guidelines (see 47 C.F.R. § 73.2080).

KUNM has reviewed the practices that are designed to fulfill the station’s commitment to diversity and to meet the applicable FCC guidelines (see 47 C.F.R. § 73.2080) with KUNM’s licensee official in the Office of the Provost & Executive Vice President for Academic Affairs.

2. CPB asks each radio CSG recipient to prepare and post on its website a brief statement (about 500 words) that reflects on the following points.

• The elements of diversity (e.g., gender, race, culture, religion, language, generation) that the CSG recipient finds important to its public media work.

KUNM is a vivid and long-standing community broadcaster committed to diversity in its programming service, engagement with communities of all types, and in its staffing and cultural practices. Specific examples of our practices and programming by community volunteers from all walks of like are available at the KUNM Website. KUNM’s signal reaches over half of the people in New Mexico. KUNM’s departmental policies state in Section 24. *Harmony*: KUNM is an equal opportunity employer in accordance with UNM policies. All staff is expected to regard others with respect and to practice tolerance of others regarding age, sex, race, class, nationality, sexual preference, spiritual or political beliefs, and those physically or mentally challenged.

• The extent to which its staff and governance reflect such diversity.

Presently, the gender/ethnic make up of KUNM constituencies show
Paid Professional Staff: (19 w/ 1 vacant); 9 women, 10 men; 4/19 are not Caucasian.
Paid Student Staff: (14 total); 7 women, 7 men; 5/14 are not Caucasian
On-Air Volunteer Staff: (99 total); 33 women, 66 men; 39/99 are not Caucasian.
Advisory Board: (12 w/ 2 vacant); 7 women, 5 men; 2/12 are not Caucasian.
Licensee Board: (7); 2 women, 5 men; 0/7 are not Caucasian.

• The progress the recipient has made to increase its diversity in the last two to three years and its diversity plans in the coming period.

In the past three years, KUNM has created new paid staff positions, all fulltime.

One of the full-time Reporter positions is funded as an Hispanic journalism fellowship. These positions are grant –funded for eight more months. KUNM re-organized its News Department to create a morning and evening News anchor positions to give greater opportunities for our diverse workforce. Up until June, our Morning Edition host was a Hispanic male, a first for KUNM.

KUNM is working now to sustain the positions mentioned above so we can retain our strong news presence. We have no immediate plans for future hires. If funding becomes available, KUNM will certainly use its successful outreach and recruitment strategies to attract a strong and diverse applicant pool as is contemplated in UNM’s recruitment and hiring policies.

In addition, Grantees shall undertake at least one of the following five initiatives on an annual basis:

1. Include individuals representing diverse groups in internships or work-study programs designed to provide meaningful professional level experience in order to reflect the diversity of the communities they serve and further public broadcasting's commitment to education.

KUNM regularly employs 12 work-study students attending UNM. Funding for this effort is provided by an annual grant approved by student leadership. We purposefully recruit and hire diverse candidates to create professional internships to advance their resume. At present, half of the student employees are non-Caucasian.

Twelve years ago KUNM launched a youth media project to engage diverse high-school and middle school students in our work. The project is now independent and is called Generation Justice. Generation Justice produces KUNM's weekly one-hour Youth Radio program and produces significant video documentaries available through their blog. The application and selection process for the Generation Justice team has a goal of establishing a deliberately diverse group of teens to work together using the high standards of public media journalism as applied to civic engagement and social justice issues.

In Fall 2014, KUNM partnered with KNME – public television, the Daily Lobo (independent student newspaper) and UNM's Department of Communications and Journalism (C&J) in the creation of a living journalism lab called News Port, funded by an innovation grant to C&J from the Online News Association. This will improve our ability to plug into the diverse student body at University of New Mexico. This work continues today.

2. Include qualified diverse candidates in any slate of candidates for elected governing boards that the Grantee control.

Members of KUNM's governing board – The Regents of the University of New Mexico – are appointed by the Governor of the State of New Mexico.

3. Implement a diversity training program for members of the organization's governing board of directors on an annual basis.

KUNM, by itself, is unable to implement a diversity training program for the Regents.

4. Participate in minority or other diversity job fair.

KUNM regularly participates in the quarterly "virtual job fair" conducted by the New Mexico Broadcasters Association. Broadcasters with all types of formats promote the fair, inviting interested listeners to offer their resume to participating broadcasters. The virtual fair produces a diverse pool of potential talent. Applicants are offered the opportunity to identify their ethnicity

5. Implement formal diversity training programs for management and appropriate staff.

In 2015, General Manager Richard Towne and Program Director Tristan Clum hosted the regional conference for the NFCB. Over 100 individuals from 30 stations attended. There were specialty keynote addresses by leadership from National Native News and Native America Calling. Both national radio programs are based in Albuquerque and were housed at KUNM before Annenberg funded their new studios. The NFCB Summit featured a half day training workshop with representatives from the many Native stations in attendance. Also in 2015, KUNM organized a day-long strategic retreat for the many Hispanic volunteers on-air at KUNM during our Raices, Espijos de Aztlan, and Salsa Sabrosa.

Attachment A – Audited Financial Statements FY 14 (copied below).

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KUNM-FM
(A Department of the University of New Mexico)
Financial Statements
June 30, 2014 and 2013
(With Independent Auditors' Report Thereon)

KUNM-FM
(A Department of the University of New Mexico)

Table of Contents

	Page
Independent Auditors' Report	1
Management's Discussion and Analysis (unaudited)	3
Financial Statements:	
Statements of Net Position	7
Statements of Revenue, Expenses, and Changes in Net Position	8
Statements of Cash Flows	9
Notes to Financial Statements	10



KPMG LLP
Two Park Square, Suite 700
6565 Americas Parkway, N.E.
Albuquerque, NM 87110-8179

Independent Auditors' Report

The Board of Regents
The University of New Mexico:

We have audited the accompanying financial statements of KUNM-FM (the Station), a department of the University of New Mexico, which comprise the statements of net position as of June 30, 2014 and 2013, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years 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 U.S. generally accepted accounting principles; 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KUNM-FM as of June 30, 2014 and 2013, and the changes in its net position and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.



Other Matter

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 to 6 be presented to supplement the basic financial statements. Such 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG LLP

Albuquerque, New Mexico
December 12, 2014

KUNM-FM
(A Department of the University of New Mexico)
Management's Discussion and Analysis (unaudited)
June 30, 2014 and 2013

The following discussion and analysis provides an overview of the financial position and activities of KUNM-FM (the Station) for the fiscal years ended June 30, 2014, 2013, and 2012. This discussion should be read in conjunction with the accompanying financial statements and notes. Additional information can be found in the Station's annual report to the Corporation for Public Broadcasting (CPB).

Overview of the Operations

The Station is a department of the University of New Mexico (UNM) and operates under Federal Communications Commission (FCC) licenses issued to the Regents of the University of New Mexico. The Station is a self-supporting department of UNM. While UNM provides indirect institutional support (e.g., studio and office space, custodial and human resources support), it does not provide ongoing, line item funding for the radio station. UNM's indirect institutional support to the Station is significant to the Station's financial activities.

UNM is classified by the Internal Revenue Service (IRS) as an entity of the State of New Mexico and is chartered under New Mexico state law. The Station's financial activities are managed under policies and procedures of UNM and are subject to internal audit and control by UNM. UNM also operates the UNM Foundation, recognized by the IRS as a 501(c)(3) tax-exempt charitable foundation. Some financial activities (e.g., matching gifts from employers, major gifts, and donor-advised gifts from other foundations) are processed through the UNM Foundation at the request of donors. These funds are also subject to UNM audit and control.

Overview of the Basic Financial Statements

The statements of net position include the assets, liabilities, and net position of the Station as of the end of each fiscal year. It is a point-in-time statement and provides both long-term and short-term fiscal information about the Station's investments in resources (assets), obligations (liabilities), and net position (assets minus liabilities). It also provides the basis for evaluating the capital structure of the Station and assessing its liquidity and financial flexibility.

The statements of revenues, expenses, and changes in net position present the results of operations of the Station for the fiscal years ended June 30, 2014 and 2013. It includes both the operating and nonoperating revenues and expenses. This statement measures the activity of the Station's broadcast service over the past year and can be used to determine whether the Station has recovered all its costs through listener donations, business underwriting support, grants, and other revenue generating activities.

The statements of cash flows provide information about the sources and uses of cash by the Station. The statement reports cash receipts, cash payments, and net changes in cash resulting from operational, fund-raising, and business activities, and the change in cash during the reporting period. It is summarized in categories consisting of operating, capital financing, and investing activities.

The notes to the financial statements provide required disclosures and other information essential to a full understanding of material data provided in the financial statements. The notes present information about the Station's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

KUNM-FM
(A Department of the University of New Mexico)
Management's Discussion and Analysis (unaudited)
June 30, 2014 and 2013

Condensed Financial Information

	Year ended June 30		
	2014	2013	2012
Statement of net position:			
Current assets	\$ 476,470	391,531	533,706
Capital assets, net	152,267	137,314	206,625
Total assets	<u>628,737</u>	<u>528,845</u>	<u>740,331</u>
Current liabilities	241,080	174,051	309,163
Net position:			
Net investment in capital assets	152,267	137,314	206,625
Unrestricted	235,390	217,480	224,543
Total net position	<u>387,657</u>	<u>354,794</u>	<u>431,168</u>
Total liabilities and net position	<u>\$ 628,737</u>	<u>528,845</u>	<u>740,331</u>
Statement of revenues, expenses, and changes in net position:			
Total operating revenues	\$ 2,457,809	2,560,235	2,246,881
Total operating expenses	2,424,946	2,636,609	2,387,349
Total nonoperating revenues (expenses)	—	—	825
Change in net position	<u>\$ 32,863</u>	<u>(76,374)</u>	<u>(139,643)</u>

Financial Position

The Station's current assets are \$476,470 as of June 30, 2014, an increase of \$84,939 from the balance of \$391,531 as of June 30, 2013. Current assets as of June 30, 2012 were \$533,706. The increase from June 30, 2013 to June 30, 2014 is primarily attributable to not purchasing fixed assets in the current year as the Station did in the prior year. Furthermore, the Station's net cash provided by operating activities is \$63,046 compared to prior year in which there was a net decrease in cash from operating activities of \$38,805. The decrease from June 30, 2012 to June 30, 2013 is attributable to cash and cash equivalents due to the purchase of capital assets.

Capital assets net, increased \$14,953 as of June 30, 2014, \$152,267 compared to \$137,314 as of June 30, 2013. Capital assets net as of June 30, 2012 were \$206,625. Due to an adjustment of \$44,250 to current year depreciation expense, which was overstated in 2013, the net depreciation expense for 2014 is a credit of \$14,953. If this would have been corrected in 2013 the depreciation expense would have been \$126,810 compared to \$171,060. In addition, depreciation expense would have been \$29,297 in 2014 compared to (\$14,953). The decrease in capital assets from June 30, 2012 to June 30, 2013 was caused by ongoing depreciation from the major studio equipment replacement and a major transmission expansion that took place in 2005 and 2008, respectively.

KUNM-FM
(A Department of the University of New Mexico)
Management's Discussion and Analysis (unaudited)
June 30, 2014 and 2013

Current liabilities were \$241,080 and \$174,051 as of June 30, 2014 and 2013, respectively. Current liabilities as of June 30, 2012 were \$309,163. The current year increase was caused by an increase in deferred, unspent grant monies. The prior year decrease was caused by recognizing prior year unearned revenue associated with the receipt of grant payments. The net position of the Station increased \$32,863 to \$387,657 as of June 30, 2014. The net position of the Station decreased \$76,374 to \$354,794 as of June 30, 2013 as compared to \$431,168 as of June 30, 2012.

Capital Assets

During the years ended June 30, 2014, and 2013, the Station acquired \$0 and \$101,749, respectively, in capital equipment assets. Net capital assets increased \$14,953 during the year ended June 30, 2014, from \$137,314 to \$152,267 due to an adjustment for an over depreciated asset. Net capital assets decreased \$69,311 during the year ended June 30, 2013, from \$206,625 to \$137,314 due to ongoing depreciation from the major studio equipment replacement and a major transmission expansion that took place in 2005 and 2008, respectively. During the years ended June 30, 2014, 2013, and 2012, the Station had depreciation expense of \$(14,953), \$171,060, and \$189,689, respectively. Due to an adjustment of \$44,250 to current year depreciation expense, which was overstated in 2013, the net depreciation expense for 2014 is a credit of \$14,953. If this would have been corrected in 2013 the depreciation expense would have been \$126,810 compared to \$171,060. In addition, depreciation expense would have been \$29,297 in 2014 compared to \$(14,953). Additionally, major building improvements and studio equipment became fully depreciated in the prior year which incurred no depreciation in the current year.

Results of Operations

Total operating revenues of \$2,457,809 decreased by \$102,426 for the fiscal year ended June 30, 2014, compared to \$2,560,235 for the fiscal year ended June 30, 2013, and increased \$313,424 compared to \$2,246,881 for the fiscal year ended June 30, 2012. The bulk of the Station's revenues from operations fall into three main categories: 1) listener sensitive income including voluntary contributions from listeners and program support from area businesses in exchange for on-air recognition (spots), 2) operating grants from the CPB, UNM Student Fees and others, and 3) UNM Administrative Support provided. The decrease in the 2014 revenues primarily relate to the decrease in listener sensitive income and vehicle donations in addition to a decrease in grant revenues. Total operating expenses of \$2,424,946 decreased by \$211,663 for the fiscal year ended June 30, 2014 compared to \$2,636,609 for the fiscal year ended June 30, 2013, and increased \$249,260 compared to \$2,387,349 for the fiscal year ended June 30, 2012. The decrease from 2013 to 2014 in operating expenses is largely attributable to a decreased depreciation expense as the Station did not acquire new capital assets in the current year, the ongoing depreciation of previous years' major studio equipment upgrades, and because of an adjustment to depreciation expense for an over depreciated asset. Furthermore, a decrease in donor appreciation gifts has led to fewer resources for the Station in the current year leading to lower expenses than in the prior year. The increase from 2012 to 2013 in both operating revenue and operating expenses are primarily relate to the increase in listener sensitive income and vehicle donations as well as an increase in grant funded personnel expenses and reoccurring donor appreciation gifts.

KUNM-FM
(A Department of the University of New Mexico)
Management's Discussion and Analysis (unaudited)
June 30, 2014 and 2013

Contacting the Company's Financial Management

The Station's annual basic financial statements and reports to the CPB are available for public inspection during business hours in the Station's public file in Oñate Hall (corner of Campus and Girard) on the UNM campus.

If you have questions about this report or need additional financial information, contact the Station General Manager Richard S. Towne at KUNM, UNM, Albuquerque, New Mexico 87131 or 505-277-8009 or RichardTowne@kunm.org.

KUNM-FM
(A Department of the University of New Mexico)

Statements of Net Position
June 30, 2014 and 2013

Assets	2014	2013
Current assets:		
Cash and cash equivalents	\$ 403,902	340,856
Accounts receivable, net of allowance for doubtful accounts of \$13,478 and \$13,207 at June 30, 2014 and 2013	54,469	50,675
Other assets	18,099	—
Total current assets	476,470	391,531
Noncurrent assets:		
Capital assets:		
Broadcast equipment, furniture, and fixtures	152,267	137,314
Total assets	\$ 628,737	528,845
Liabilities and Net Position		
Current liabilities:		
Accounts payable	\$ 4,032	997
Accrued payroll	14,832	13,119
Compensated absences	43,248	43,346
Unearned revenues	178,968	116,589
Total liabilities	241,080	174,051
Net position:		
Net investment in capital assets	152,267	137,314
Unrestricted	235,390	217,480
Total net position	\$ 387,657	354,794

See accompanying notes to financial statements.

KUNM-FM
(A Department of the University of New Mexico)
Statements of Revenues, Expenses, and Changes in Net Position
Years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating revenues:		
Membership and underwriting, net	\$ 1,448,389	1,491,576
Grants	415,719	474,489
University of New Mexico administrative support	472,829	477,752
Contributions	112,960	91,913
Other Revenue	7,912	24,505
Total operating revenues	<u>2,457,809</u>	<u>2,560,235</u>
Operating expenses:		
Personnel services	1,149,108	1,114,277
Materials and services	1,196,502	1,241,768
Depreciation	(14,953)	171,060
Utilities	30,226	30,296
Other supplies and expenses	64,063	79,208
Total operating expenses	<u>2,424,946</u>	<u>2,636,609</u>
Operating income	<u>32,863</u>	<u>(76,374)</u>
Change in net position	32,863	(76,374)
Net position, beginning of year	<u>354,794</u>	<u>431,168</u>
Net position, end of year	<u>\$ 387,657</u>	<u>354,794</u>

See accompanying notes to financial statements.

KUNM-FM
(A Department of the University of New Mexico)

Statements of Cash Flows

Years ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Received from membership and underwriting	\$ 1,444,053	1,483,759
Received from service charges	7,912	24,505
Received from grants	478,098	354,080
Payments to suppliers for goods and services	(719,524)	(788,815)
Payments to employees for services	(1,147,493)	(1,112,334)
	63,046	(38,805)
Net cash (used in) provided by operating activities		
Cash flows from capital and related financing activity:		
Purchases of capital assets	—	(101,749)
	63,046	(140,554)
Net (decrease) increase in cash and cash equivalents		
Cash and cash equivalents, beginning of year	340,856	481,410
Cash and cash equivalents, end of year	\$ 403,902	340,856
Reconciliation of operating loss to net cash from operating activities:		
Operating gain	\$ 32,863	(76,374)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	(14,953)	171,060
Provision for bad debt	271	9,438
Changes in assets and liabilities:		
Accounts receivable	(4,065)	(7,817)
Other assets	(18,099)	—
Accounts payable	3,035	(4,102)
Accrued payroll	1,713	1,421
Compensated absences	(98)	(522)
Deferred revenue	62,379	(120,409)
Other accrued expenses	—	(11,500)
	63,046	(38,805)
Net cash (used in) provided by operating activities	\$ 63,046	(38,805)

See accompanying notes to financial statements.

KUNM-FM
(A Department of the University of New Mexico)

Notes to Financial Statements

June 30, 2014 and 2013

(1) Nature of Business

KUNM-FM (the Station) is an unincorporated entity operating under a license issued by the Federal Communications Commission (FCC) to the University of New Mexico (UNM). The Station is a department of UNM and receives significant grants from the Corporation for Public Broadcasting (CPB) on an annual basis. These grants are used primarily for the purchase of program rights from National Public Radio.

(2) Summary of Significant Accounting Policies

(a) Reporting Entity

KUNM-FM is a department of UNM and its financial data is included with the financial data in UNM's basic financial statements. These basic financial statements present financial information that is attributable to KUNM-FM and does not purport to present and does not present the financial position of UNM.

(b) Basis of Presentation

The accompanying financial statements have been prepared in accordance with the accounting disclosure and reporting requirements under Governmental Accounting Standards Board (GASB) pronouncements as the Station meets the criteria of a governmental entity. The significant accounting policies are summarized below.

The Station's financial statements are reported using the flow of economic resources measurement focus and the full accrual basis of accounting. Accordingly, revenue is recognized when it is earned and expenses are recognized as soon as the liability is incurred.

Operating revenues and expenses are those incurred that relate directly to the primary operations of the Station, including administrative support from UNM and broadcast services. Unrestricted contributions and gifts do not have binding agreements and are recorded as revenues when received. Unrestricted grants are recorded as revenues at the time the grant awards are received and when eligibility requirements have been met. Restricted support and revenues are recognized upon incurring the appropriate expenses or meeting the eligibility requirements.

In fiscal year 2014, the Station adopted GASB No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65), which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

(c) 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 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

KUNM-FM
(A Department of the University of New Mexico)

Notes to Financial Statements

June 30, 2014 and 2013

(d) Net Position

Net position is classified into two components: net investment in capital assets and unrestricted. The Station has no restricted net position. These classifications are defined as follows:

- *Net investment in capital assets* – This component of net position consists of capital assets net of accumulated depreciation. The Station does not have any related debt.
- *Unrestricted* – This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

(e) Cash and Cash Equivalents

The Station’s cash balances are on deposit with its fiscal agent. UNM serves as the fiscal agent for the Station through which the Station participates in a pooled bank account maintained by UNM. As fiscal agent, UNM requires the financial institution holding these pooled funds to maintain minimum collateral amounts. Interest is allocated monthly to the Station’s account based on its balance in the pooled bank account at the end of the preceding month. Custodial risk classifications are not available at the department level. For purposes of the statements of cash flows, the Station considers all cash accounts and all highly liquid securities and investments with an original maturity of three months or less to be cash equivalents. Certain revenues and expense accounts include noncash activity, which has been excluded from operating revenues and expenses in the statements of cash flows.

(f) Accounts Receivable

The allowance for doubtful accounts is based on historical collection experience and management’s evaluation of the collectability of the accounts receivable. Management reviews accounts receivable and adjusts the allowance based on identified collection issues. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. Based on the information available, management believes the allowance for doubtful accounts as of June 30, 2014 and 2013 is adequate.

(g) Grant Revenue

The CPB distributes annual Community Service Grants (CSGs) to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and thereby to enhance the quality of programming and expand the scope of public broadcasting services.

According to the Communications Act, CSG funds may be used at the discretion of recipients for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with CSGs awarded in prior years.

Certain general provisions must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These general provisions pertain to the use of grant funds, record-keeping, audits, financial reporting, mailing list, and licensee status with the FCC.

KUNM-FM
(A Department of the University of New Mexico)

Notes to Financial Statements

June 30, 2014 and 2013

(h) Capital Assets

Capital assets are recorded at original cost or, if donated, at estimated fair value on the date of donation. The Station's capitalization policy for moveable equipment includes all projects and/or items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Renovations to buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings and 3 to 15 years for equipment. Depreciation is not allocated by functional expense in the accompanying financial statements.

(i) Compensated Absences

The Station's annual leave plan allows employees to accumulate 252 hours of leave. Employees may be paid for hours exceeding 168 only in case of death, retirement, or involuntary separation.

(j) Unearned Revenues

Unearned revenues represents cash advances received from third parties, which have eligibility requirements. The deferred revenue will be recognized as revenue once the eligibility requirement has been met.

(k) Contributions

Operating revenues and expenses include activities with characteristics of exchange transactions. Goods and services provided to the Station, which the Station would otherwise have to pay cash for, are recorded as in-kind contributions. Typically, the Station exchanges a service such as a promotional spot for these in-kind services. Consistent with ASC 920 Entertainment Broadcasters, revenue for these transactions shall be reported when the promotional spots are broadcast, and the related expense shall be reported once the merchandise or service has been received. If the merchandise or services are received prior to the broadcast of the promotional spots, a liability shall be reported. Likewise, if the promotional spot is broadcast first, a receivable shall be reported. Promotional artist recordings received cannot be reasonably valued and, therefore, are not reflected by the Station's financial activity.

(l) Indirect Administrative Support

The Station uses the Modified Total Direct Cost (MTDC) method, which is a method approved by CPB to compute indirect administrative support. The Station receives indirect administrative, custodial, and utility expense support from UNM. The amount of support, recorded as both revenue and materials and services expense, is determined by using the Other Sponsored Activities (OSA) Facilities & Administrative MTDC Base method.

(m) Income Taxes

As an instrumentality of the State of New Mexico, the income generated by UNM in the exercise of its essential governmental functions is excluded from federal income tax under Internal Revenue

KUNM-FM
(A Department of the University of New Mexico)

Notes to Financial Statements

June 30, 2014 and 2013

Code (IRC) Section 115. However, income generated from activities unrelated to the exempt purpose of UNM would be subject to tax under IRC Section 511(a)(2)(B).

(3) Accounts Receivable

Accounts receivable for June 30 consisted of the following:

	2014	2013
Trade receivables, primarily for advertising	\$ 67,947	63,882
Allowance for doubtful accounts	(13,478)	(13,207)
	\$ 54,469	50,675

(4) Capital Assets

Capital asset transactions consisted of the following during the year ended June 30, 2014:

	June 30, 2013	Additions	Deletions	June 30, 2014
Broadcast equipment, furniture, and fixtures	\$ 1,022,891	—	—	1,022,891
Building improvements	593,025	—	—	593,025
Accumulated depreciation	(1,478,602)	14,953	—	(1,463,649)
Capital assets, net	\$ 137,314	14,953	—	152,267

Due to an adjustment of \$44,250 to current year depreciation expense, which was overstated in 2013, the net depreciation expense for 2014 is a credit of \$14,953. If this would have been corrected in 2013 the depreciation expense would have been \$126,810 compared to \$171,060. In addition, depreciation expense would have been \$29,297 in 2014 compared to (\$14,953). Due to the immateriality of the adjustment, it is being recorded in 2014.

Capital asset transactions consisted of the following during the year ended June 30, 2013:

	June 30, 2012	Additions	Deletions	June 30, 2013
Broadcast equipment, furniture, and fixtures	\$ 922,991	101,749	(1,849)	1,022,891
Building improvements	593,025	—	—	593,025
Accumulated depreciation	(1,309,391)	(171,060)	1,849	(1,478,602)
Capital assets, net	\$ 206,625	(69,311)	—	137,314

KUNM-FM
(A Department of the University of New Mexico)

Notes to Financial Statements
June 30, 2014 and 2013

(5) Commitments and Contingencies

The Station has commitments greater than one year in duration for equipment under operating lease agreements. Rental expense for the Station for the years ended June 30, 2014 and 2013 was \$15,333 and \$15,754, respectively.

Future minimum lease payments for the year(s) ending June 30 are as follows:

2015	\$	15,333
2016		15,333
2017		15,333
Thereafter		30,666
	\$	76,665

(6) Related-Party Transactions

UNM administrative support of \$472,829 and \$477,752 for 2014 and 2013, respectively, is based on an allocation of actual indirect costs from UNM and is presented net of amounts paid to UNM for use of UNM's accounting system of \$12,623 and \$8,925 for 2014 and 2013, respectively. The related expense of \$485,452 and \$486,677 for 2014 and 2013, respectively, is recorded as materials and services expense. This method of reporting indirect costs conforms to CPB guidelines.

The Station billed UNM for various services throughout the year that are recorded as underwriting revenue. Underwriting revenue from UNM for the years ended June 30, 2014 and 2013 was \$33,977 and \$40,592, respectively.

(7) Retirement Plans and Other Postemployment Benefits

(a) Retirement Plan

Plan Description

Substantially all of the Station's full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (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, NM 87502. The report is also available on ERB's Web site at www.nmerb.org.

KUNM-FM
(A Department of the University of New Mexico)

Notes to Financial Statements

June 30, 2014 and 2013

Funding Policy

Effective July 1, 2009, plan members were required by statute to contribute 7.9% of their gross salary if they earned \$20,000 or less annually, and plan members earning more than \$20,000 annually were required to contribute 9.4% of their gross salary. The Station was required to contribute 12.4% of the gross covered salary for employees earning \$20,000 or less, and 10.9% of the gross covered salary of employees earning more than \$20,000 annually. The employer contribution is increasing each year until effective July 1, 2014; the employer contribution will be 13.9% of the gross covered salary. The contribution requirements of plan members and the Station are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Station's contributions to ERB for the fiscal years ended June 30, 2014 and 2013 were \$94,567 and \$79,715, respectively, which equal the amount of the required contributions for each fiscal year.

(b) Other Postemployment Benefits

Retirees of the Station are offered postemployment health benefits under plans administered by UNM. The liability is recorded on UNM's books and not allocated at the department level. Details of the plans can be found in the audited financial statements of UNM located at www.unm.edu.

(8) Commitments and Contingencies

(a) Insurance Coverage

The Station is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions and natural disasters. As a department of UNM, the Station is insured through the State of New Mexico Risk Management Program, which provides general liability, auto liability, physical damage, and workers' compensation insurance. The Station's exposure is limited to \$1,000 per any first-party incurred property loss, with the exception of theft, which has a \$5,000 deductible.

(b) Federal Communications Commission (FCC)

The Station maintains seven FCC licenses. All licenses, except that of the Station's main channel were renewed for eight years in the prior year. The Station renewed the main channel in March 2014.

In 2009, in response to a third-party complaint, the FCC began an investigation into whether the Station had failed in certain instances to comply with FCC programming sponsorship identification and underwriting requirements applicable to the Station. In response to three Letters of Inquiry, the Station defended its programming practices. On August 13, 2013, the Station entered into a Consent Decree with the FCC Enforcement Bureau, pursuant to which the Station agreed to implement a compliance plan during the period ending August 16, 2016 and contribute \$7,500 to the United States Treasury, without admitting or denying any violation of applicable requirements, and the Enforcement Bureau agreed to terminate its investigation without making any factual or legal findings regarding the Station's compliance or noncompliance with applicable requirements. The Consent Decree was adopted by an Order of the Enforcement Bureau released on August 16, 2013 and the full \$7,500 amount was paid by the Station on September 13, 2013.