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***KENW-TV***

***A Department of Eastern  
New Mexico University***

***Financial Statements  
With Independent Auditor's  
Report Thereon***

***June 30, 2014 and 2013***



**KENW-TV**

**A Department of Eastern New Mexico University**

**Financial Statements  
With Independent Auditor's Report Thereon**

**June 30, 2014 and 2013**



## **INTRODUCTORY SECTION**

**KENW-TV**  
A Department of Eastern New Mexico University  
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June 30, 2014 and 2013

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**KENW-TV**  
A Department of Eastern New Mexico University  
Board of Regents and University Officials  
June 30, 2014

**Ex-Officio Members**

The Honorable Susana Martinez

Governor of the State of New Mexico

<b><u>Appointed Members</u></b>	<b><u>Term Expires</u></b>	
Mr. Brett Leach	2016	President
Ms. Jane Christensen	2018	Vice President
Mr. Chase Sturdevant	2014	Secretary
Mr. Robert "Chad" Lydick	2014	Member
Mr. Randy Harris	2014	Member
<b><u>University Officials</u></b>		
Dr. Steven Gamble		President
Dr. Jamie Laurenz		Vice President for Academic Affairs
Dr. John Madden		President - Roswell Campus
Dr. Clayton Alred		President - Ruidoso Campus
Dr. Judith Haislett		Vice President for Student Affairs
Mr. Scott Smart		Vice President for Business Affairs
Ms. Ronnie Birdsong		Vice President for University Relations and Enrollment Services

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**FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas  
New Mexico State Auditor and  
the Board of Regents  
Eastern New Mexico University  
Portales, New Mexico

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

We have audited the accompanying financial statements of KENW-TV (a department of and a public broadcasting entity operated by Eastern New Mexico University), and the budgetary comparisons, as of and for the years ended June 30, 2014 and 2013, and the related notes to the 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.

### ***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 KENW-TV's (a department of and a public broadcasting entity operated by Eastern New Mexico University) 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 KENW-TV's (a department of and a public broadcasting entity operated by Eastern New Mexico University) 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 respective financial position of KENW-TV (a department of and a public broadcasting entity operated by Eastern New Mexico University) as of June 30, 2014 and 2013, and the respective changes in its financial position and its cash flows thereof and the budgetary comparisons for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11-14 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.

### *Other Information*

As described in Note 1, the financial statements of KENW-TV (a department of and a public broadcasting entity operated by Eastern New Mexico University) 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 Eastern New Mexico University that is attributable to the transactions of KENW-TV (a department of and a public broadcasting entity operated by Eastern New Mexico University). They do not purport to, and do not, present fairly the financial position of Eastern New Mexico University as of June 30, 2014, and the changes in its financial position or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on KENW-TV's (a department of and a public broadcasting entity operated by Eastern New Mexico University) financial statements and budgetary comparison.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2014, on our consideration of KENW-TV's (a department of and a public broadcasting entity operated by Eastern New Mexico University) internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KENW-TV's (a department of and a public broadcasting entity operated by Eastern New Mexico University) internal control over financial reporting and compliance.

*Accounting & Consulting Group, LLP*

Accounting & Consulting Group, LLP  
Roswell, New Mexico  
October 31, 2014

**KENW-TV**  
A Department of Eastern New Mexico University  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014

This section of the financial report presents our discussion and analysis of KENW-TV's (the "Station"), a public telecommunications entity operated by Eastern New Mexico University (the "University") financial performance during the year ended June 30, 2014. Please read it in conjunction with the Station's financial statements, which follow this section.

The Station is located on the campus of Eastern New Mexico University. KENW-TV broadcasts a wide variety of programs, which includes instructional programs for primary, secondary, and college level students. For the general public, there are "How-to" programs that provide instruction in many arts and crafts areas as well as the full Public Broadcasting System schedule of outstanding public television programs.

### **Financial Highlights**

- ◆ At June 30, 2014 and 2013 the Station's total assets were \$2,921,911 and \$2,688,680, respectively. During the year, net assets increased by \$124,124 from \$2,402,057 in 2013 to \$2,526,181 in 2014.
- ◆ Total current liabilities for 2014 were \$395,730. These liabilities are comprised of accrued compensated absences of \$81,536, other payables of \$69,669, and unearned revenue of \$244,525. This is a \$109,107 increase from last year's current liabilities of \$286,623.
- ◆ Operating revenues totaled \$1,932,500 for 2014 while operating expenses totaled \$3,168,686. Non operating revenues were \$1,360,310. For 2013, operating revenues totaled \$1,625,855 while operating expenses totaled \$3,042,044. Non operating revenues were \$1,360,310. State appropriations are the main component of non operating revenues.

### **Overview of Financial Statements**

This annual report consists of the following:

- ◆ Management's discussion and analysis (this section)
- ◆ The basic financial statements
- ◆ Supplementary information—budgetary comparison

### ***The Station's Basic Financial Statements***

The basic financial statements include:

- ◆ The statement of net position provides information about the Station's financial condition at fiscal year-end. It presents both a current year synopsis and longer-term view of the Station's assets, liabilities and net assets.
- ◆ The statement of revenues, expenses and changes in net position should be used to review the results of the current year's operations.
- ◆ The statement of cash flows provides a summary of the sources and uses of cash within the Station during the year.
- ◆ Footnote information provides additional detail on the Station's overall accounting practices and individual statement line items, including a "natural classification" report of operating expenses.

Additional information may be obtained by contacting the Vice President of Business Affairs, Scott W. Smart, at (575) 562-2611.

**KENW-TV**  
A Department of Eastern New Mexico University  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014

**Financial Analysis of the Station as a Whole**

*Net Position.* The Station's total net position increased from \$2,402,057 in 2013 to \$2,526,181 in 2014 as a result of revenues exceeding expenses. Table 1 summarizes the Station's net position:

**Table 1**  
**Eastern New Mexico KENW's Net Position**  
**As of June 30, 2014 and 2013**  
**(in thousands of dollars)**

	2014	2013
Current assets	\$ 2,029	\$ 1,696
Capital assets, net	893	993
<b>Total assets</b>	<b>2,922</b>	<b>2,689</b>
Current liabilities	396	287
<b>Total liabilities</b>	<b>396</b>	<b>287</b>
Net position		
Net investment in capital assets	893	993
Unrestricted	1,633	1,409
<b>Total net position</b>	<b>\$ 2,526</b>	<b>\$ 2,402</b>

## KENW-TV

A Department of Eastern New Mexico University  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014

*Changes in Net Position.* Total operating revenues for the years ended June 30, 2014 and 2013, were \$1,932,500 and \$1,625,855 compared with operating expenses of \$3,168,686 and \$3,042,044, respectively. The increase in operating revenues and expenses resulted mainly from the receipt of State bond money used for capital outlay. The increase in non-operating revenue was due to the continued economic recovery which resulted in an increase in state appropriation and income on investments. Table 2 summarizes the Station's changes in net position for the years:

**Table 2**  
**Changes in Eastern New Mexico KENW's Net Position**  
**For the Years Ended June 30, 2014 and 2013**  
**(in thousands of dollars)**

	<u>2014</u>	<u>2013</u>
<b>Revenues</b>		
<b>Operating</b>		
Private grants and contracts	\$ 668	\$ 755
Other	1,265	871
<b>Total operating revenues</b>	<u>1,933</u>	<u>1,626</u>
<b>Non-operating</b>		
State appropriation	1,098	982
Other state revenue	2	2
Investment income	182	124
Infrastructure fee	78	38
<b>Total non-operating revenues</b>	<u>1,360</u>	<u>1,146</u>
<b>Total Revenues</b>	3,293	2,772
<b>Expenses</b>		
<b>Operating</b>		
Program services	2,373	2,242
Supporting services	796	800
<b>Total operating expenses</b>	<u>3,169</u>	<u>3,042</u>
Increase (decrease) in net position	<u>\$ 124</u>	<u>\$ (270)</u>

### ***Budgetary Highlights***

The Board of Regents approves the operating budget of the Station. The budget is reviewed and amended as needed due to changing circumstances. The budget is prepared using the basis of accounting prior to implementation of GASB Statement No.'s 34 and 35. Accordingly, budgets are adopted for unrestricted current funds, restricted current funds and plant funds. During the year, there were no expenditure budget amendments.

### ***Capital Assets***

*Capital Assets*—As of June 30, 2014 and 2013, the Station had \$893,117 and \$992,983, respectively, invested in broadcasting and production equipment.

**KENW-TV**  
A Department of Eastern New Mexico University  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014

***Economic Factors and Next Year's Budget***

The Corporation for Public Broadcasting receives much of its funding from the federal government, which, in turn, distributes to member stations. Funding for the 2014-2015 fiscal year is expected to be approximately the same as for 2013-2014. Funding from the state appropriation is also expected to remain the same for 2014-2015, however it is difficult to predict actual funding amounts for future years.

***Contacting the Station's Financial Management***

The financial report is designed to provide the public, customers, and creditors with a general overview of the Station's finances and demonstrate the Station's accountability for the money it receives. If you have any questions about this report contact the University's Controller at the University Offices:

Board of Regents  
Eastern New Mexico University  
Business Affairs Station #4  
Portales, NM 88130



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**KENW-TV**  
A Department of Eastern New Mexico University  
Statements of Net Position  
June 30, 2014 and 2013

	<b>2014</b>	<b>2013</b>
Assets		
Current assets		
Grants receivable	\$ 2,433	\$ 9,312
Membership pledges receivable	16,104	-
Due from Eastern New Mexico University	2,010,257	1,686,385
Noncurrent assets		
Capital assets, net	893,117	992,983
Total assets	\$ 2,921,911	\$ 2,688,680
Liabilities and net position		
Current liabilities		
Accrued compensated absences	\$ 81,536	\$ 84,911
Other payables	69,669	16,615
Unearned revenue	244,525	185,097
Total liabilities	395,730	286,623
Net positions		
Net investment in capital assets	893,117	992,983
Unrestricted net position	1,633,064	1,409,074
Total net position	2,526,181	2,402,057
Total liabilities and net position	\$ 2,921,911	\$ 2,688,680

The accompanying notes are an integral part of these financial statements

**KENW-TV**  
A Department of Eastern New Mexico University  
Statements of Revenues, Expenses, and Changes in Net Position  
For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Revenues		
Operating revenues		
Subscriptions and memberships	\$ 158,787	\$ 136,581
Administrative support from the University	411,294	414,672
Community service grant	667,732	754,819
PBS WARN grant	171,440	36,086
Other sources	523,247	283,697
Total operating revenues	<u>1,932,500</u>	<u>1,625,855</u>
Expenses		
Operating expenses		
Program services		
Local programming and production	958,789	1,256,825
Broadcasting	1,319,439	883,257
Program information	95,036	101,535
Supporting services		
Fundraising and membership development	122,734	117,427
Management and general	672,688	683,000
Total operating expenses	<u>3,168,686</u>	<u>3,042,044</u>
Operating income (loss)	<u>(1,236,186)</u>	<u>(1,416,189)</u>
Other revenues (expenses)		
State appropriations	1,098,500	982,200
Santa Fe archiving	1,695	1,573
Investment income (loss)	182,115	124,117
Infrastructure fee	78,000	38,600
Total other revenues (expenses)	<u>1,360,310</u>	<u>1,146,490</u>
Increase (decrease) in net position	124,124	(269,699)
Net position, beginning of year	<u>2,402,057</u>	<u>2,671,756</u>
Net position, end of year	<u>\$ 2,526,181</u>	<u>\$ 2,402,057</u>

The accompanying notes are an integral part of these financial statements

**KENW-TV**  
A Department of Eastern New Mexico University  
Statements of Cash Flows  
For the Years Ended June 30, 2014 and 2013

	<b>2014</b>	<b>2013</b>
Cash flows from operating activities		
Cash from subscriptions, members, and grants	\$ 1,991,929	\$ 1,469,288
Cash paid to suppliers	(3,090,007)	(2,569,283)
Net cash provided (used) by operating activities	(1,098,078)	(1,099,995)
Cash flows from noncapital financing activities		
State appropriations	1,098,500	982,200
Other receipts	79,695	40,174
Net cash provided (used) by noncapital financing activities	1,178,195	1,022,374
Cash flows from capital and related financing activities		
Purchases of capital assets	(262,232)	(46,496)
Cash flows from investing activities		
Interest and appreciation (depreciation) on investments	182,115	124,117
Net increase (decrease) in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	\$ -	\$ -
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	\$ (1,236,186)	\$ (1,416,189)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	362,098	366,314
Changes in assets and liabilities		
Other receivables	(333,097)	95,356
Other payables	53,054	(5,365)
Accrued compensated absences	(3,375)	16,456
Deferred revenue	59,428	(156,567)
Net cash provided (used) by operating activities	\$ (1,098,078)	\$ (1,099,995)

The accompanying notes are an integral part of these financial statements

**KENW-TV**  
A Department of Eastern New Mexico University  
Notes to Financial Statements  
June 30, 2014

NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

KENW-TV (a department of and a public broadcasting entity operated by Eastern New Mexico University) in Portales, New Mexico, operates to disseminate educational and cultural TV programs to the public. The Station is part of the University; however these financial statements include only the financial information related to the Station and do not include other financial information of the University.

This summary of significant accounting policies of KENW-TV is presented to assist in the understanding of the department's financial statements. The financial statements and notes are the representation of KENW-TV's management who is responsible for the integrity and objectivity.

During the year ended June 30, 2014, the University adopted Governmental Accounting Standards Board (GASB) Statements No. 60 through 63 and 65. GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements addresses issues related to service concession arrangements. The University does not have any Service Concession Arrangements. GASB Statement No. 61, The Financial Reporting Entity: Omnibus- an amendment of GASB Statements No. 14 and No. 34, modifies certain requirements for inclusion of component units in the financial reporting entity. GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA Pronouncements issued on or before November 30, 1989, which does not conflict or contradict GASB pronouncements. GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, provides financial reporting guidance for deferred outflows and inflows of resources. GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, 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.

A. *Financial Reporting Entity*

KENW-TV (a department of and a public broadcasting entity operated by Eastern New Mexico University) in Portales, New Mexico, to disseminate educational and cultural TV programs to the public. KENW-TV is part of the University; however these financial statements include only the financial information related to the Station and do not include other financial information of the University.

In evaluating how to define KENW-TV for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14 amended by GASB Statements No. 39 and No. 61. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

**KENW-TV**  
A Department of Eastern New Mexico University  
Notes to Financial Statements  
June 30, 2014

NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)

A. *Financial Reporting Entity (continued)*

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, KENW-TV does not have any component units required to be reported under GASB Statements No. 14, No. 39, or No. 61.

B. *Basis of Presentation*

The Station's accounting policies conform with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) including all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The financial statements have been prepared in accordance with GASB Statement No. 34, *Basic Financial Statement and Management's Discussion and Analysis – for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public Colleges and Universities*.

C. *Basis of Accounting*

The Station's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Operating revenue and expenses are those incurred which relate directly to the primary operations of the Station, including programming, production, and broadcasting services. All other revenue and expenses are considered nonoperating.

D. *Deposits and Investments*

KENW-TV does not maintain any accounts that are considered cash, cash equivalents or investments.

**KENW-TV**  
A Department of Eastern New Mexico University  
Notes to Financial Statements  
June 30, 2014

NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)

E. *Prepaid Items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

F. *Capital Assets*

Capital assets are recorded at cost or, in the case of donated assets, at their fair market value at the date of receipt and are depreciated over the estimated useful lives of the related assets. Depreciation is computed using the straight-line method over five to twelve years estimated useful lives. The Station's capitalization policy for moveable equipment includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year.

G. *In-kind Contributions*

Donated facilities from the University consist of office and studio space together with related occupancy costs and are recorded in revenue and expense based on the allocable portion of original cost of the building and an estimated useful life, in accordance with instructions of the Corporation for Public Broadcasting.

Administrative support from the University consists of allocated finance department costs and certain other expenses incurred by the University on behalf of the Station.

H. *Due from Eastern New Mexico University*

This account classification includes certain cash accounts that the station has a claim on but is maintained in University accounts. Also included in this account classification are amounts due from the University to the Station.

I. *Grants Receivable*

Grants receivable represents the unfunded portion of awards earned by the Station. Management believes these amounts to be fully collectible and, therefore, has provided no allowance for doubtful grant accounts as of June 30, 2014. Grants receivable at June 30, 2014 and 2013 is \$2,433 and \$9,312, respectively.

J. *Unearned Revenue*

Unearned revenue represents cash advances received from third parties, which have eligibility requirements. The unearned revenue will be recognized as revenue once all eligibility requirements have been met.

**KENW-TV**  
A Department of Eastern New Mexico University  
Notes to Financial Statements  
June 30, 2014

NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)

K. *Net Position*

Net position is classified into three components: invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- *Net Investment in Capital Assets* - This component of net position consists of capital assets, net of accumulated depreciation.
- *Restricted* - This component of net position consists of funds on which external restrictions have been imposed that limit the purpose for which such funds can be used. The Station has no restricted net position at June 30, 2014 and 2013.
- *Unrestricted* - This component of net position consists of net positions that do not meet the definition of "restricted" or "net investment in capital assets."

L. *Budgetary Policy*

The budget is established within the University's public service function of its current funds. The University may allocate funds between different departments or line items within the public service function without approval from the Budget Division of the State of New Mexico Department of Finance and Administration provided the total approved budget for the public service function is not exceeded. Budgets, as presented, are used as a management tool and represent the approved budgets for functional expenditures only, excluding capital outlay.

M. *Use of Estimates*

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

N. *Income Taxes*

As an instrumentality of the State of New Mexico, the income generated by Eastern New Mexico University in the exercise of its essential governmental functions is excluded from federal income tax under Internal Revenue Code (IRC) Section 115. However, income generated from activities unrelated to the exempt purpose of Eastern New Mexico University would be subject to tax under IRC Section 511(a)(2)(B).



**KENW-TV**  
A Department of Eastern New Mexico University  
Notes to Financial Statements  
June 30, 2014

NOTE 2: CAPITAL ASSETS

A summary of changes in capital assets are as follows:

	Balance at June 30, 2013	Additions	Deletions	Balance at June 30, 2014
Equipment	\$ 10,279,180	\$ 262,232	\$ 982,619	\$ 9,558,793
Accumulated depreciation	(9,286,197)	(362,098)	(982,619)	(8,665,676)
<b>Net capital assets</b>	<b>\$ 992,983</b>	<b>\$ (99,866)</b>	<b>\$ -</b>	<b>\$ 893,117</b>

  

	Balance at June 30, 2012	Additions	Deletions	Balance at June 30, 2013
Equipment	\$ 10,232,684	\$ 46,496	\$ -	\$ 10,279,180
Accumulated depreciation	(8,919,883)	(366,314)	-	(9,286,197)
<b>Net capital assets</b>	<b>\$ 1,312,801</b>	<b>\$ (319,818)</b>	<b>\$ -</b>	<b>\$ 992,983</b>

Depreciation expense of \$362,098 and \$366,314 was charged to local programming and production for the years ended June 30, 2014 and 2013.

NOTE 3: INTERFUND TRANSACTIONS

KENW-TV administrative support is based on an allocation of actual indirect costs from ENMU, and the related expense of \$411,294 and \$414,672 for 2014 and 2013, respectively, is included in management and general expense. This method of reporting indirect costs conforms to CPB guidelines.

NOTE 4: 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 Eastern New Mexico University's Risk Management for liability and casualty insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 5: STATE AND PRIVATE GRANTS

KENW-TV participates in state assisted grant programs. The disbursements of funds received under these programs require compliance with terms and conditions specified in the grant agreements and are subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of KENW-TV. In the opinion of management, however, any such disallowed claims will not have a material effect on the financial statements of KENW-TV as of and for the year ended June 30, 2014.

**KENW-TV**  
A Department of Eastern New Mexico University  
Schedule of Budgeted and Actual Expenses  
June 30, 2014

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Positive/ (Negative)</b>
Program services			
Local programming and production	\$ 989,767	\$ 958,789	\$ 30,978
Broadcasting	1,416,083	1,319,439	96,644
Program information	97,953	95,036	2,917
Total program services	<u>2,503,803</u>	<u>2,373,264</u>	<u>130,539</u>
Supporting services			
Fundraising and membership development	106,243	122,734	(16,491)
Management and general	672,449	672,688	(239)
Total supporting services	<u>778,692</u>	<u>795,422</u>	<u>(16,730)</u>
Total expenses	<u>\$ 3,282,495</u>	<u>\$ 3,168,686</u>	<u>\$ 113,809</u>

The accompanying notes are an integral part of these financial statements

**KENW-TV**  
A Department of Eastern New Mexico University  
Schedule of Budgeted and Actual Expenses  
June 30, 2013

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Positive/ (Negative)</b>
Program services			
Local programming and production	\$ 1,211,909	\$ 1,256,825	\$ (44,916)
Broadcasting	1,152,241	883,257	268,984
Program information	68,003	101,535	(33,532)
Total program services	<u>2,432,153</u>	<u>2,241,617</u>	<u>190,536</u>
Supporting services			
Fundraising and membership development	107,476	117,427	(9,951)
Management and general	<u>677,275</u>	<u>683,000</u>	<u>(5,725)</u>
Total supporting services	<u>784,751</u>	<u>800,427</u>	<u>(15,676)</u>
Total expenses	<u>\$ 3,216,904</u>	<u>\$ 3,042,044</u>	<u>\$ 174,860</u>

The accompanying notes are an integral part of these financial statements

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**COMPLIANCE SECTION**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Hector H. Balderas  
New Mexico State Auditor and  
the Board of Regents  
Eastern New Mexico University  
Portales, New Mexico

We have audited, in accordance with the 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, the financial statements and the budgetary comparisons of KENW-TV (a department of and a public broadcasting entity operated by Eastern New Mexico University), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise KENW-TV's (a department of and a public broadcasting entity operated by Eastern New Mexico University) basic financial statements, and have issued our report thereon dated October 31, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered KENW-TV's (a department of and a public broadcasting entity operated by Eastern New Mexico University) internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of KENW-TV's (a department of and a public broadcasting entity operated by Eastern New Mexico University) internal control. Accordingly, we do not express an opinion on the effectiveness of the KENW-TV's (a department of and a public broadcasting entity operated by Eastern New Mexico University) internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the KENW-TV's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether KENW-TV's (a department of and a public broadcasting entity operated by Eastern New Mexico University) financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of KENW-TV's (a department of and a public broadcasting entity operated by Eastern New Mexico University) internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KENW-TV's (a department of and a public broadcasting entity operated by Eastern New Mexico University) internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP

Roswell, New Mexico

October 31, 2014