KANW-FM

(A Department of Albuquerque Municipal School District No. 12)

Financial Statements
and
Independent Auditor's Report

June 30, 2019

KANW-FM

(A Department of Albuquerque Municipal School District No. 12)

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To the Board of Education
Albuquerque Municipal School District #12
Albuquerque, New Mexico

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statement of the business-type activities of KANW-FM in Albuquerque, New Mexico, as of and for the year ended June 30, 2019, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

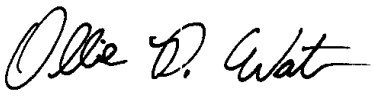
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities of KANW-FM in Albuquerque, New Mexico as of June 30, 2019, and the respective changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note # 1, the financial statements of KANW-FM in Albuquerque, New Mexico, are intended to present the financial position, the changes in net assets, and cash flows of only the public broadcasting operations that is attributable to the transactions of KANW-FM. They do not purport to, and do not, present fairly the financial position of the Albuquerque Municipal School District #12, as of June 30, 2019, the changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter

We have previously audited KANW-FM's 2018 financial statements, and we expressed an unmodified opinion on the financial statements of the business type activities in our report dated January 11, 2019. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Ollie D. Waters, CPA, CMA
Moye, Waters and Associates, LLC
Albuquerque, New Mexico
February 5, 2020

Introduction and Reporting Entity

This Management's Discussion and Analysis is intended to serve as an introduction to the financial performance of KANW-FM Radio Station (the Station) for the fiscal year ended June 30, 2019. Management of the Station has prepared the following discussion, which should be read in conjunction with the basic financial statements for the period.

The Station is a department of the Albuquerque Municipal School District No. 12 (the District), operating under a Federal Communications Commission (FCC) license issued to the District. The District appropriates operating funds for the Station through the adoption of an annual budget. The District provides indirect administrative support for the Station including financial management and reporting, human resources, facility maintenance, purchasing, and information technology support.

The Station's financial activities are managed under policies and procedures of the District and are subject to internal audit and control of the District. The District and the Station both receive annual external audits. For the Station, the external audit is conducted to comply with the Corporation for Public Broadcasting (CPB) requirements to receive grant funding. CPB is a private, nonprofit corporation created by Congress. CPB is not a governing agency and promotes telecommunications services (television, radio and on-line) for the American people.

The Station operates on 89.1 FM as a non-profit, non-commercial public radio station serving Albuquerque, New Mexico, and the surrounding communities. Station programming originates from studios at 2020 Coal Avenue SE, Albuquerque, NM. The Station also operates repeater stations KIDS 88.1 FM in Grants, NM, and KANR (formally KNLK) 91.9 FM in Santa Rosa, NM. These stations re-broadcast the programming of KANW and provide the only public radio service to these communities. These two repeater stations operate with a waiver of the FCC Main Studio Location Rule Section 73.1125(a) which allows the stations to be programmed from KANW in Albuquerque. The Station also operates three HD translator stations; K298BY 107.5 FM in Albuquerque, K212AN 90.3 FM in Espanola, and K216AW 91.1 FM in Grants, NM.

General Financial Information

The Station's basic financial statements include a statement of net position, statement of revenues, expenses and changes in net position, and the statement of cash flows. The financial statements are prepared in accordance with generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB).

The notes to the basic financial statements provide required disclosures and other information that is essential to fully understanding the material and data provided in the 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.

Proprietary Fund Financial Statements

The statement of net position and the statement of revenues, expenses and changes in net position provide both long-term and short-term information about the Station's overall financial status. These financial statements are designed to provide readers with a broad overview of the Station's finances, in a manner similar to a private-sector business. Financial information is reported using the full-accrual method of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

The statement of net position presents information on all of the Station's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the organization is improving or deteriorating.

The statement of revenues, expenses and changes in net position presents information showing how the Station's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e., accrued leave).

Summary Financial Information

The following table presents a summary of net position at June 30, 2019 and 2018:

	2019	2018
Assets		
Current Assets	$ 997,971	$ 940,625
Capital Assets, net	1,369,506	1,192,669
Total Assets	2,367,477	2,133,294
Liabilities		
Current Liabilities	231,524	130,220
Non-Current Liabilities	11,589	12,038
Total Liabilities	243,113	142,258
Net Position		
Invested in Capital Assets, net	1,369,506	1,192,669
Unrestricted	754,858	798,367
Total Net Position	$ 2,124,364	$ 1,991,036

Current assets, which consist of cash and cash equivalents, increased $57,346, or 6.1%, which is mostly due to increased capital asset contributions from the District. Unrestricted net position decreased $43,509, or 5.5%, mostly due to a decrease in CPB grant funding. Total net position increased $133,328, or 6.7%, mainly due to the increase in capital contributions.

The following table presents a summary of the Station's operations for the years ending June 30, 2019 and 2018:

	2019	2018
Operating Revenues:		
CPB Grants	$ 90,734	$ 227,128
Membership & Contributions	310,482	359,272
Underwriting Support	121,432	118,629
Merchandise Sales	94,364	102,449
Total Operating Revenues	617,012	807,478
Operating Expenses:		
Broadcasting	55,639	88,667
Programming & Production	138,668	144,449
Program Information	234,092	224,011
Fundraising	172,374	160,573
Management & General	59,749	46,209
Indirect Administrative Support	26,618	26,475
Depreciation	117,821	104,667
Total Operating Expenses	804,961	795,051
Operating Income (Loss)	(187,949)	12,427
Non-Operating Revenues (Expenses):		
Indirect Administrative Support from the District	26,618	26,475
Capital Contributions from the District	294,659	65,293
Total Non-Operating Revenues (Expenses)	321,277	91,768
Increase (Decrease) in Net Position	133,328	104,195
Net Position, beginning	1,991,036	1,886,841
Net Position, ending	$ 2,124,364	$ 1,991,036

The Station's total revenues increased by $39,043 or 4.3%. CPB revenue decreased substantially from the prior year, while membership and contribution revenue decreased slightly. Also, there was a substantial capital contribution increase of $229,366 from the District. Total operating expenses increased $9,910 or 1.2%, which is mostly attributable to an increase in management and general expenses of $13,540 and an increase in depreciation expense of $13,154, with a substantial decrease in broadcasting expense of $33,028. The increase in overall operating expense is mainly due to increases in contracting services, and supplies and materials related to operating the Station's repeater and translator stations. Non-operating revenues (expenses) consist of indirect administrative support and capital contributions from the District.

Economic Factors

Budget increases in the State's Public Education Department may result in increased funding to the District, which could result in increased District support for the Station's operations. Management believes financial support from the District will remain as stable as conditions allow.

The Station operates KIDS-FM in Grants and KANR-FM (formerly KNLK) in Santa Rosa as a community service. Both stations provide the only public radio service in these areas. The revenue from these two repeater stations does not cover operational costs.

Requests for Information

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 located at 2020 Coal Avenue SE, Albuquerque, NM 87106. If you have questions about this report or need additional information, contact the Station's General Manager at (505) 242-7163.

KANW-FM

(A Department of Albuquerque Municipal School District No. 12)

Statement of Net Position - Proprietary Fund

June 30, 2019

	2019	2018
Assets		
Current Assets:		
Cash and Cash Equivalents	$ 997,971	$ 940,625
Total Current Assets	997,971	940,625
Non-Current Assets:		
Capital Assets, Net of Depreciation	1,369,506	1,192,669
Total Assets	2,367,477	2,133,294
Liabilities		
Current Liabilities:		
Accounts Payable	22,137	12,554
Unearned Revenue - CPB Grant	203,679	111,737
Compensated Absences	5,708	5,929
Total Current Liabilities	231,524	130,220
Non-Current Liabilities:		
Compensated Absences	11,589	12,038
Total Liabilities	243,113	142,258
Net Position		
Invested in Capital Assets, Net of Related Debt	1,369,506	1,192,669
Unrestricted	754,858	798,367
Total Net Position	$ 2,124,364	$ 1,991,036

See accompanying notes to financial statements.

KANW-FM

(A Department of Albuquerque Municipal School District No. 12)

Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund

Year Ended June 30, 2019

	2019	2018
Operating Revenues:		
CPB Grants	$ 90,734	$ 227,128
Membership Contributions and Contributed Support	310,482	359,272
Underwriting Support	121,432	118,629
Music and Other Merchandise Sales	94,364	102,449
Total Operating Revenues	617,012	807,478
Operating Expenses:		
Broadcasting	55,639	88,667
Programming and Production	138,668	144,449
Program Information and Promotion	234,092	224,011
Fundraising and Membership Development	172,374	160,573
Management and General	59,749	46,209
Indirect Administrative Support	26,618	26,475
Depreciation	117,821	104,667
Total Operating Expenses	804,961	795,051
Operating Income (Loss)	(187,949)	12,427
Non-Operating Revenues (Expenses):		
Indirect Administrative Support from the District	26,618	26,475
Capital Contributions from the District	294,659	65,293
Total Non-Operating Revenues (Expenses)	321,277	91,768
Increase (Decrease) in Net Position	133,328	104,195
Net Position, Beginning of Year	1,991,036	1,886,841
Net Position, End of Year	$ 2,124,364	$ 1,991,036

See accompanying notes to financial statements.

KANW-FM
(A Department of Albuquerque Municipal School District No. 12)
Statement of Cash Flows - Proprietary Fund
Year Ended June 30, 2019

	2019	2018
Cash Flows from Operating Activities		
CPB Grants	$ 182,676	$ 179,576
Receipts from Contributions, Underwriting and Fundraising	431,914	477,901
Music and Merchandise Sales	94,364	102,449
Payments to Suppliers and Employees	(651,608)	(672,663)
Net Cash Provided by (Used in) Operating Activities	57,346	87,263
Cash Flows from Capital and Related Financing Activities		
Acquisition of Property and Equipment	-	(18,858)
Rounding	-	(1)
Net Cash Provided by (Used in) Capital Financing Activities	-	(18,859)
Net Increase (Decrease) in Cash and Cash Equivalents	57,346	68,404
Cash and Cash Equivalents, Beginning of Year	940,625	872,221
Cash and Cash Equivalents, End of Year	$ 997,971	$ 940,625
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating Income (Loss)	$ (187,949)	$ 12,427
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Depreciation Expense	117,821	104,667
Indirect Administrative Support from the District	26,618	26,475
Changes in Assets and Liabilities:		
Accounts Payable	(22,137)	(11,355)
Unearned Revenue - CPB Grant	123,663	(47,552)
Compensated Absenses	(670)	2,601
Net Cash Provided by (Used in) Operating Activities	$ 57,346	$ 87,263

See accompanying notes to financial statements.

1) Summary of Significant Accounting Policies

Organization

KANW-FM Radio Station (the Station) is a non-profit, non-commercial radio station owned and operated by the Albuquerque Municipal School District No. 12 (the District). The Station's financial activities are managed under policies and procedures of the District. Funding sources for the Station include grants from the Corporation for Public Broadcasting (CPB), business underwriting of public service announcements, public contributions and support from the District.

Reporting Entity

The Station is one of several departments of the District, not a separate legal entity. The financial statements present only the financial position of the Station and do not purport to, and do not, present fairly the financial position of the District, and the changes in its financial position and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America. Therefore, the financial statements for the Station do not include assets and liabilities of the District that do not relate to the Station.

Basis of Presentation

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

The financial statements of the Station have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. The Station reports as a business type activity, as defined by GASB Statement No. 34; business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

Non-exchange transactions, in which the Station gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Net Position

The Station's net position is classified for financial reporting in the following net position categories:

1) Summary of Significant Accounting Policies - continued

Invested in capital assets, net of related debt – This category reports the Station's investment in the carrying value of its capital assets, net of accumulated depreciation and reduced by any outstanding long-term debt used to acquire, construct or improve those assets.

Restricted – This category consists of net assets with external restrictions imposed on their use by creditors, grantors, contributors, or laws or regulations of other governments; or by law through constitutional provisions or enabling legislation. The Station did not have any restricted net assets at June 30, 2019 or 2018.

Unrestricted – This category represents all other net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted."

When both restricted and unrestricted resources are available for use, it is the Station's policy to use restricted resources first, then unrestricted resources as they are needed.

Use of 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The District is exempt from income taxes under Section 115(1) of the Internal Revenue Code, as amended. As a department of the District, the Station is also exempt from income taxes.

Inter-fund Receivables and Payables

During the course of operations, transactions occur between the Station and the District that may result in amounts owed or receivable between the entities. If balances are outstanding at year end, receivables are classified as "due from" and payables are classified as "due to" the District on the statement of net position. There were no inter-fund receivables or payables for the years ended June 30, 2019 and 2018.

Cash and Cash Equivalents

For purposes of the basic financial statements, cash and cash equivalents consist of funds held by the District on behalf of the Station and restricted for the benefit of the Station.

1) Summary of Significant Accounting Policies - continued

Capital Assets and Depreciation

Under the District's policy, individual assets costing $5,000 or more are capitalized at cost if purchased, or at acquisition value on the date of the gift if donated. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets. Generally, 20 to 40 years for buildings and improvements, and 5 to 10 years for vehicles, furniture, fixtures and equipment. Repairs and maintenance are charged to operating expenses as incurred.

Accounts Payable

Accounts payable is comprised of amounts payable to vendors at year end.

Unearned Revenue

Unearned revenue represents grant funding received for which the service has not yet been provided. Unearned revenue will be recorded as revenue as the services are provided.

Compensated Absences

The District's policy regarding vacation time permits employees to accumulate earned but unused vacation leave. Upon separation from District employment, an employee is reimbursed for the accumulated vacation leave, up to 176 hours. The liability for these compensated absences is reported in the financial statements of proprietary funds as a liability when it is incurred. The current portion of this liability is based on historical trends.

Indirect Administrative Support

The Station receives administrative services and support from the District. Calculated in accordance with CPB financial reporting guidelines, indirect administrative support from the District consists of allocated administrative and physical plant support. These services are recorded as indirect administrative support revenue and expenses in the accompanying financial statements.

2) Cash and Cash Equivalents

The Station does not maintain any cash accounts. All cash accounts are maintained by the District. The District's cash accounts were fully insured by the FDIC, or secured by pledged collateral held by the pledging institution. At June 30, 2019 and 2018, the carrying amount of cash was $997,971 and $940,625, respectively. The carrying amount equals the bank balance.

3) Capital Assets

Capital asset activity for the year ended June 30, 2019, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not depreciated:				
Construction in Progress	$ 65,293	$ 285,582	$ -	$ 350,875
Total capital assets, not depreciated	65,293	285,582	-	350,875
Capital assets being depreciated:				
Buildings and Improvements	1,505,958	-	-	1,505,958
Furniture and Equipment	380,927	9,077	(58,428)	331,576
Vehicles	36,255	-	-	36,255
Total capital assets being depreciated	1,923,139	9,077	(58,428)	1,873,788
Less accumulated depreciation:				
Buildings and Improvements	(452,784)	(75,409)	-	(528,193)
Furniture and Equipment	(306,725)	(42,412)	58,428	(290,709)
Vehicles	(36,255)	-	-	(36,255)
Total accumulated depreciation	(795,764)	(117,821)	58,428	(855,157)
Total capital assets being depreciated, net	1,127,376	(108,744)	-	(891,412)
Business-type activities capital assets, net	$ 1,192,669	$ 176,838	$ -	$ 1,369,507

Capital asset activity for the year ended June 30, 2018, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not depreciated:				
Construction in Progress	$ -	$ 65,293	$ -	$ 65,293
Total capital assets, not depreciated	-	65,293	-	65,293
Capital assets being depreciated:				
Buildings and Improvements	1,505,958	-	-	1,505,958
Furniture and Equipment	487,125	18,858	(125,056)	380,927
Vehicles	36,255	-	-	36,255
Total capital assets being depreciated	2,029,337	18,858	(125,056)	1,923,139
Less accumulated depreciation:				
Buildings and Improvements	(371,538)	(81,246)	-	(452,784)
Furniture and Equipment	(408,360)	(23,421)	125,056	(306,725)
Vehicles	(36,255)	-	-	(36,255)
Total accumulated depreciation	(816,153)	(104,667)	125,056	(795,764)
Total capital assets being depreciated, net	1,213,185	(85,809)	-	(832,019)
Business-type activities capital assets, net	$ 1,213,185	$ (20,516)	$ -	$ 1,192,669

4) Community Service Grants (CSG)

The Station receives a Community Service Grant (CSG) from the Corporation for Public Broadcasting annually. The Community Service Grants received and expended during the most recent fiscal years were as follows:

Year of Grant	Grants Received	Expended 2016	2017	2018	2019	Balance at June 30, 2019
Prior Years	$823,275	$823,275	$ -	$ -	$ -	-
2016	212,338	150,358	61,980	-	-	-
2017	259,066	-	99,777	159,289	-	-
2018	179,576	-	-	67,839	90,734	21,003
2019	182,676	-	-	-	-	182,676
		$973,633	$161,757	$227,128	$ 90,734	$ 203,679

5) Indirect Administrative Support

Indirect support from the District consists of allocated administrative and physical plant support incurred by the District to support the Station's daily operating activities. The fair value of this support is recognized in the financial statements as indirect administrative support. For the years ended after June 30, 2016, indirect support was calculated using the CPB developed basic method. The administrative rate is calculated using the District's administrative expenditures as a percent of the District's total expenditures, less capital outlay and debt service, with the percent then applied to the Station's net direct expenses. The physical plant support is calculated using a percent of the Station's total square feet to the District's total permanent square feet, with that percent then applied to the District's total expenditures for operations and maintenance of plant. The combined value of this support included in the financial statements for the years ended June 30, 2019 and 2018 is $26,618 and $26,475, respectively.

6) Risk Management

The Station is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is responsible for the acquisition and administration of all insurance and losses. Risk management expenditures for the Station are accounted for in the period incurred, if applicable. There were no risk management expenditures for the years ended June 30, 2019 and 2018.

7) Subsequent Events

Management has evaluated subsequent events through February 5, 2019, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements. There are no pending or known threatened legal proceedings involving material matters to which the Station is a party.