

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)

Financial Statements

June 30, 2019 and 2018

(With Report of Independent Auditors Thereon)

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)

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UNM LOBO CLUB
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Official Roster (Unaudited)

June 30, 2019

OFFICERS

Bart Kinney, President

Dee Dennis, President-Elect

Kyle Beasley, Past President

Rocky Hughes, Vice President

Norm Burns, Vice President

Dee Dennis, Vice President

Mary Best Maloy, Vice President

COMMITTEE CHAIR

Bart Kinney, Finance Chair

EXECUTIVE DIRECTOR

Kole McKamey (January 2016 to November 2017)

Jalen Dominguez (December 2017 to Present)

DIRECTORS

Ms. Susie Singer	Mr. Rocky Hughes
Mr. Dale Armstrong	Ms. Beverly McMillan
Mr. JJ Griego	Mr. Lawrence Peterson
Mr. Warren Ellis	Mr. John Perner
Mr. Greg Hunt	Ms. Miranda Sanchez
Mr. Dan Stock	Mr. Cliff Gramer
Ms. Lucy Barabe	Mr. Larry Jehle
Ms. Jennifer Mason	

EX-OFFICIO DIRECTOR

Mr. Eddie Nunez

HONORARY LIFETIME MEMBERS

Mr. John Brooks	Ms. Lynn Mosher
Ms. Yvonne Moise	

Report of Independent Auditors

The Board of Directors
UNM Lobo Club
and
Mr. Brian S. Colón, Esq.
New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the UNM Lobo Club (Lobo Club), which comprise the statements of net position as of June 30, 2019 and 2018, 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 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 audits. We conducted our audits 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 audits 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the UNM Lobo Club as of June 30, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United State of America require that management's discussion and analysis on pages 5 through 8 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2019 on our consideration of Lobo Club's 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 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 Lobo Club's internal control over financial reporting and compliance.

Mess Adams LLP

Albuquerque, New Mexico
October 1, 2019

UNM LOBO CLUB
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Management's Discussion and Analysis (unaudited)
June 30, 2019 and 2018

The following management discussion and analysis provides an overview of the financial position and activities of UNM Lobo Club (Lobo Club) as of and for the fiscal years ended June 30, 2019, 2018, and 2017. This discussion should be read in conjunction with the accompanying financial statements and notes. Management has prepared the basic financial statements and the related note disclosures along with this discussion and analysis. As such the financial statements and this discussion are the responsibility of Lobo Club's management.

Overview of the Basic Financial Statements

The statement of net position of Lobo Club provides both long-term and short-term information about Lobo Club's overall financial position. The statement of revenues, expenses, and changes in net position provides information about the operating revenues and expenses and the nonoperating revenues of Lobo Club. The statement of cash flows provides information about the sources and uses of cash by Lobo Club. The notes to the basic financial statements provide more detailed information about amounts reported in the basic financial statements.

Reporting Lobo Club's Activities

Financial Information

Lobo Club's condensed financial information as of and for the fiscal years ended June 30, 2019, 2018 and 2017 is provided in the following table:

Condensed Statements of Net Position Information

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total assets	\$ 4,476,753	\$ 4,225,051	\$ 3,530,412
Total liabilities	2,622,932	2,212,016	2,614,097
Deferred inflows of resources-unearned revenue	606,087	1,011,082	841,208
Net position			
Unrestricted	1,247,734	1,001,953	75,107
Total Net position	<u>\$ 1,247,734</u>	<u>\$ 1,001,953</u>	<u>\$ 75,107</u>

Condensed Statements of Net Position

Total Assets

A majority of the June 30, 2019, 2018, and 2017 assets are in the form of cash and cash equivalents in the amount of \$4,454,079, \$4,196,495, and \$3,482,143, respectively. As of June 30, 2019, \$1,497,589 was on deposit with the University of New Mexico (UNM), \$94,193 was on deposit with the University of New Mexico Foundation (UNMF), \$1,335,810 was in an operating bank account at U.S. Bank, \$0 was in a raffle bank account at U.S. Bank, \$1,526,374 was in a sports enhancement fund bank account at U.S. Bank, and \$113 was maintained in the form of petty cash. As of June 30, 2018, \$2,464,979 was on deposit with the University of New Mexico (UNM), \$94,193 was on deposit with the University of New Mexico Foundation (UNMF), \$722,369 was in an operating bank account at U.S. Bank, \$61,976 was in a raffle bank account at U.S. Bank, \$852,778 was in a sports enhancement fund bank account at U.S. Bank, and \$200 was maintained in the form of petty cash.

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As of June 30, 2017, \$3,175,767 was on deposit with the University of New Mexico (UNM), \$111,144 was on deposit with the University of New Mexico Foundation (UNMF), \$195,032 was in an operating bank account at U.S. Bank, \$49,526 was in a raffle bank account at U.S. Bank, and \$200 was maintained in the form of petty cash.

Accounts receivable at Lobo Club consist of receivables for pledges made during the current year that were uncollected at year end. Accounts receivable, net of allowance as of June 30, 2019, 2018, and 2017 were \$15,166, \$20,336, and \$55,600 respectively. The changes from fiscal year to fiscal year in accounts receivable are dependent on the number of potential donors making pledges during the year but not fulfilling their payment obligation before the fiscal year end. The current fiscal year end decrease in accounts receivable is primarily the result of an increase in donors that are on scheduled payment plans. Lobo Club held a receivable at June 30, 2017 primarily related to donors who received the right to purchase premium Men's Basketball tickets as a result of their donations, and were put on a payment plan.

Total Liabilities

A majority of the liabilities are in the form of a payable due to UNM for unrestricted donations in the amount of \$2,622,932, \$2,200,000, and \$2,600,000, as of June 30, 2019, 2018, and 2017, respectively. This contribution is made from Lobo Club to the UNM Athletic Department and was requested from the athletic director before the year end.

Deferred Inflows of Resources - Unearned Revenue

Deferred inflows of resources were \$606,087, \$1,011,082, and \$841,208, as of June 30, 2019, 2018, and 2017, respectively. The decrease of \$404,995 from June 30, 2017 to June 30, 2018 was the result of fewer contributions for fiscal year 2019 being paid in advance in fiscal year 2018 and the increase of \$169,874 from June 30, 2017 to June 30, 2018 was the result of the Membership Drive and donors choosing to pay the next fiscal year's pledge in full or begin their payment plan during the current fiscal year.

Total Net Position

The net position consists solely of unrestricted net position totaling \$1,247,734, \$1,001,953, and \$75,107, at June 30, 2019, 2018 and 2017, respectively. The increasing net position balance over the three years is due to the increase in operating and investment income earned during respective fiscal years.

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Management's Discussion and Analysis (unaudited)
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Condensed Summary of Revenues, Expenses, and Changes in Net Position

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating revenues:			
Grants, bequests, and contributions	\$ 5,356,797	\$ 5,458,827	\$ 4,478,358
Special events, net and other	174,672	204,602	194,722
Total operating revenues	<u>5,531,469</u>	<u>5,663,429</u>	<u>4,673,080</u>
Operating expenses:			
General and administrative	257,348	274,544	228,243
Program expenses	5,056,119	4,504,475	4,439,921
Total operating expenses	<u>5,313,467</u>	<u>4,779,019</u>	<u>4,668,164</u>
Operating income	218,002	884,410	4,916
Nonoperating revenue	<u>27,779</u>	<u>42,436</u>	<u>35,021</u>
Change in net position	245,781	926,846	39,937
Net position, beginning of year	<u>1,001,953</u>	<u>75,107</u>	<u>35,170</u>
Net position, end of year	<u>\$ 1,247,734</u>	<u>\$ 1,001,953</u>	<u>\$ 75,107</u>

Summary of Revenues, Expenses, and Changes in Net Position

Total Operating Revenues

A majority of the June 30, 2019 revenues are operating revenues consisting of contributions in the amount of \$5,356,797; including \$1,789,074 of gift-in-kind contributions and \$3,567,723 in fund-drive revenues. Compared to 2018, operating revenues decreased slightly due to a decrease in gift-in-kind contributions. A majority of the June 30, 2018 revenues are operating revenues consisting of contributions in the amount of \$5,458,827; including \$2,186,987 of gift in kind contributions and \$3,271,810 in fund-drive revenues. Compared to 2017, contribution revenues have increased by \$980,469 due to the increase in gifts-in-kind and sports enhancement fund revenues. Special event net revenues were \$174,672 in 2019 compared to \$204,602 in 2018. The decrease is attributable to a decrease in Lobo Club's 50/50 raffle opportunities.

A majority of the June 30, 2017 revenues are operating revenues consisting of contributions in the amount of \$4,478,358; including \$1,854,163 of gift-in-kind contributions and \$2,624,195 in fund-drive revenues. Compared to 2016, contribution revenues have decreased by \$1,393,610 due to the decrease in gifts-in-kind from UNM marketing contracts.

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Total Operating Expenses

Total expenses for fiscal year 2019 are composed of \$257,348 in general and administrative expenses and \$5,056,119 in program expenses. General and administrative expenses decreased by \$17,196 from the prior year amount of \$274,544. This decrease is due in part to a reduction in unforeseen operating costs. Program expenses increased by \$551,644 from the prior year amount of \$4,504,475. The increase is due to attributed to an increase in gift-in-kind expenses that went above and beyond the normal UNM marketing contracts.

Total expenses for fiscal year 2018 are composed of \$274,544 in general and administrative expenses and \$4,504,475 in program expenses. General and administrative expense increased by \$46,301 from the prior year amount of \$228,243. This increase is due in part to an increase in expenses for website expense due to the update of the Lobo Club website. Program expenses increased by \$64,554 from the prior year amount of \$4,439,921. The increase is due to attributed to an increase in gift-in-kind expenses that went above and beyond the normal UNM marketing contracts.

Total expenses for fiscal year 2017 are composed of \$228,243 in general and administrative expenses and \$4,493,921 in program expenses. General and administrative expense decreased by \$29,462 from the prior year amount of \$257,705. This decrease is due in part to a reduction in expenses for the away game donor dinners and reduction in Mountain West Tournament expenses. Program expenses decreased by \$1,277,401 from the prior year amount of \$5,717,322. The decrease is due to attributed to a decrease in gift-in-kind expenses that went above and beyond the normal UNM marketing contracts.

Change in Net Position

Net position increased by \$245,781 to \$1,247,734 at June 30, 2019 from \$1,001,953 at June 30, 2018. The increase is due to operating income of \$218,002 and investment income of \$27,799.

Net position increased by \$926,846 to \$1,001,953 at June 30, 2018 from \$75,107 at June 30, 2017. The increase is due to operating income of \$884,410 and investment income of \$42,436.

Net position increased by \$39,937 to \$75,107 at June 30, 2017 from \$35,170 at June 30, 2016. The increase was due to operating income of \$4,916 and investment income of \$35,021.

UNM is the fiscal agent of Lobo Club. UNM holds the majority of Lobo Club's net position in the form of cash deposits and invests the holdings in a commingled account with UNMF. A pro rata share of interest earnings is credited to Lobo Club's account monthly.

Factors Impacting Future Periods

The continued uncertainty of the economy and its effect on donor contributions could have significant impact on Lobo Club.

Contacting Lobo Club's Financial Management

This report is meant to describe the financial condition and position of Lobo Club.

If you have questions about this report or need additional financial information, contact UNM Lobo Club at Department of Athletics, MSC04 2680, 1 University of New Mexico, Albuquerque, New Mexico 87131.

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Statements of Net Position

June 30, 2019 and 2018

Assets	2019	2018
Current assets:		
Cash and cash equivalents	\$ 4,454,079	\$ 4,196,495
Accounts receivable, net of allowance for uncollectable pledges	15,166	20,336
Other current assets	7,508	8,220
Total current assets	4,476,753	4,225,051
Liabilities, Deferred Inflows, and Net Position		
Current liabilities:		
Accounts payable	-	12,016
Due to the University of New Mexico	2,622,932	2,200,000
Total current liabilities	2,622,932	2,212,016
Deferred inflows of resources – unearned revenue	606,087	1,011,082
Net position:		
Unrestricted	1,247,734	1,001,953
Total net position	\$ 1,247,734	\$ 1,001,953

See accompanying notes to financial statements.

UNM LOBO CLUB
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Statements of Revenues, Expenses, and Changes in Net Position
June 30, 2019 and 2018

	2019	2018
Operating revenues:		
Grants, bequests, and contributions	\$ 5,356,797	\$ 5,458,827
Special events, net of expenses of \$162,056 and \$187,411, respectively	173,922	180,682
Other operating revenues	750	23,920
Total operating revenues	5,531,469	5,663,429
Operating expenses:		
General and administrative	257,348	274,544
Program expenses	5,056,119	4,504,475
Total operating expenses	5,313,467	4,779,019
Operating income	218,002	884,410
Nonoperating revenue:		
Investment income from endowment held by UNM Foundation	27,779	42,436
Total nonoperating revenue	27,779	42,436
Change in net position	245,781	926,846
Net position, beginning of year	1,001,953	75,107
Net position, end of year	\$ 1,247,734	\$ 1,001,953

See accompanying notes to financial statements.

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Statements of Cash Flows

June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Receipts from members and others	\$ 3,502,041	\$ 3,852,464
Payments to the University of New Mexico	(1,974,482)	(2,597,414)
Payments to vendors	(1,297,754)	(583,134)
Net cash provided by operating activities	229,805	671,916
Cash flows from investing activity:		
Investment income	27,779	42,436
Net cash provided by investing activity	27,779	42,436
Net increase in cash and cash equivalents	257,584	714,352
Cash and cash equivalents, beginning of year	4,196,495	3,482,143
Cash and cash equivalents, end of year	\$ 4,454,079	\$ 4,196,495
Reconciliation of operating income to net cash from operating activities:		
Operating income	\$ 218,002	\$ 884,410
Adjustments to reconcile operating income to net cash provided by operating activities:		
Change in allowance for pledges receivable	(5,708)	(24,350)
Changes in assets, liabilities, and deferred inflows of resources:		
Accounts receivable	10,878	45,673
Other current assets	712	(1,610)
Accounts payable	(12,016)	(2,081)
Due to the University of New Mexico	422,932	(400,000)
Deferred inflows - unearned revenue	(404,995)	169,874
Net cash provided by operating activities	\$ 229,805	\$ 671,916

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2019 and 2018

(1) Organization

The UNM Lobo Club (Lobo Club) was established to operate as a fund-raising entity in support of the Athletic Department Program at the University of New Mexico (UNM). A board of directors, elected by the membership, is responsible for its operations. The day-to-day management is the responsibility of Lobo Club's Executive Director, who is appointed by Lobo Club's board of directors and UNM.

(2) Summary of Significant Accounting Policies and Practices

(a) Basis of Accounting and Presentation

The accompanying basic financial statements include only the accounts of Lobo Club, which has no component units. Lobo Club is a component unit of UNM.

Lobo Club's basic financial statements comply with the accounting disclosure and reporting requirements under Governmental Accounting Standards Board (GASB) pronouncements, as Lobo Club meets criteria of a governmental entity.

Lobo Club applies business-type activity accounting and Lobo Club's basic financial statements are reported using a flow of economic resources measurement focus and the accrual basis of accounting. Accordingly, revenues are recognized when they are earned and expenses are recognized as soon as the liability is incurred.

Operating revenues and expenses are those incurred that relate directly to fund-raising activities, as these activities constitute Lobo Club's principal ongoing operations. All other revenues and expenses are considered nonoperating.

(b) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of 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.

(c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash deposits, an agency account held by UNM, petty cash, and two agency accounts held by UNM Foundation (UNMF).

(d) Capital Assets

Lobo Club's policy is to capitalize all disbursements for equipment and furnishings in excess of \$5,000. Items with a cost of less than \$5,000 are expensed in the year of acquisition. Repairs and maintenance expenses are charged to operations when incurred and major improvements and replacements are capitalized. Lobo Club had no capital assets at June 30, 2019 and 2018.

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Notes to Financial Statements

June 30, 2019 and 2018

(e) Revenue Recognition

Lobo Club recognizes revenue from grants, bequests, and contributions when all applicable eligibility requirements are met. Deferred inflows of resources – unearned revenue represents amounts received for which applicable time requirements have not been met. All purpose-restricted contributions are reported as increases in restricted net position and are reclassified to unrestricted net position when the purpose restriction has been met. Promises to give (pledges) are recorded net of an allowance for uncollectible pledges. Lobo Club’s policy is to establish an allowance for uncollectible pledges using specific identification and historical experience (\$18,537 and \$24,245 at June 30, 2019 and 2018, respectively).

(f) Income Taxes

Lobo Club operates as a not-for-profit corporation and has received exempt status under Section 501(c)(3) of the Internal Revenue Code. It has not been classified as a private foundation by the Internal Revenue Service. No provision for income taxes for unrelated business income was necessary for the fiscal years ended June 30, 2019 and 2018.

(g) Net Position

For accounting and reporting purposes, Lobo Club reports its net position in the following net position categories as applicable:

Restricted Net Position – represents those operating funds on which external restrictions have been imposed that limit the purposes for which such funds can be used. Restricted expendable net position is resources that Lobo Club is legally or contractually obligated to spend in accordance with imposed restrictions by third parties. Generally, restrictions imposed relate to contributions where the donor specifies certain sports facilities that the contribution can be used to maintain or improve. There were no restricted amounts as of June 30, 2019 or June 30, 2018.

Unrestricted Net Position – consists of those operating funds over which Lobo Club retains full control to use in achieving any of its authorized purposes.

When an expense is incurred that can be paid using either restricted or unrestricted resources, Lobo Club’s policy is to first apply the expense toward restricted resources, and then toward unrestricted resources.

(h) Gifts-In-Kind

Gifts-in-kind are recorded at estimated fair market value at the date of donation to the extent membership benefits are provided to the donor. Gifts-in-kind for which Lobo Club acts as an agent are transferred directly to the UNM Athletic Department. All gifts-in-kind are reflected as operating revenues and expenses in the accompanying basic financial statements.

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(i) Recently Issued Accounting Standards

GASB Statement No. 87 – Leases. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

(3) The University of New Mexico Transactions/Related-Party Transactions

Lobo Club operates for the sole purpose of soliciting, managing, and distributing private gifts and donations given for the benefit of the UNM Athletic Department. On May 25, 1993, UNM and Lobo Club entered into a Memorandum of Agreement in which, effective July 1, 1993, all Lobo Club employees became UNM employees. The Memorandum of Agreement was modified on May 7, 2015; this modification did not have a significant impact on the operations of Lobo Club. Lobo Club's employees are paid by UNM and UNMF and they participate in UNM's employee benefit programs. The agreement can be terminated by either party, at which time Lobo Club's assets would revert to UNM. As a fund-raising entity operating solely in support of the UNM Athletic Department, Lobo Club is provided with staff, office facilities at the UNM Athletic Complex, equipment, and certain other support at no charge. Revenues and expenses have not been recorded in the accompanying basic financial statements for this staff, office space, equipment, or other support services.

Lobo Club authorized final cash contributions for unrestricted donations of \$2,300,00 and \$2,200,000 to the UNM Athletic Department for the years ended June 30, 2019 and 2018, respectively. These contributions are included in the amounts reported as due to the University of New Mexico in the statements of net position and are reflected as a program expense in the statements of revenues, expenses, and changes in net position.

Additionally, in the regular course of business, the Lobo Club makes minor purchases on behalf of UNM and they are reimbursed for such disbursements. As of June 30, 2019, Lobo Club owed \$222,932 to the UNM general operating account. As of June 30, 2018, Lobo Club owed \$12,016 to the UNM general operating account.

During the years ended June 30, 2019 and 2018, Lobo Club generated pass-through gifts in-kind of advertising and media services, automobiles, food, and meeting facilities, among other items, which were valued at \$1,789,074 and \$2,186,987, respectively, and were primarily for the benefit of the UNM Athletic Department. These gifts in-kind are included in grants, bequests, and contribution revenue, and program, general and administrative, and special events expense in the accompanying basic financial statements because Lobo Club provides membership benefits to the contributors in return for the in-kind gifts.

Lobo Club received \$218,565 and \$475,295 in contributions from board members for the years ended June 30, 2019 and 2018, respectively. Lobo Club did not purchase goods and services from companies that board members are employed by during the fiscal years ended June 30, 2019 and 2018.

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Notes to Financial Statements

June 30, 2019 and 2018

(4) Accounts Receivables

Accounts receivables consist of the following, which are expected to be collected within one year:

	2019	2018
Promises to give (pledges)	\$ 33,703	\$ 44,081
Amounts due from individuals and corporations for special events	-	500
	33,703	44,581
Allowance for uncollectible pledges	(18,537)	(24,245)
Total	\$ 15,166	\$ 20,336

(5) Cash and Cash Equivalents

Lobo Club had \$1,497,589 and \$2,464,979 on deposit with UNM at June 30, 2019 and 2018, respectively. UNM deposits are held in demand and time accounts at local financial institutions. New Mexico state statutes require financial institutions to pledge qualifying collateral to UNM to cover at least 50% of the uninsured deposits.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the entity's deposits may not be returned to it.

Lobo Club had \$2,900,498 and \$1,769,687 on deposit with a local financial institution at June 30, 2019 and 2018, respectively. This balance was insured by the Federal Deposit Insurance Corporation up to \$250,000. The uninsured amount at risk as of June 30, 2019 and 2018 was \$2,650,498 and \$1,529,687, respectively. Lobo Club does not require collateral on its cash deposits.

A detail of the cash accounts at June 30, 2019 is included below:

Name	Account Name	Account Type	Bank Balance	Reconciling Items	Reconciled Balance
Petty cash	-	-	\$ 113	\$ -	\$ 113
U.S. Bank	Operating	Cash	1,350,483	(14,673)	1,335,810
U.S. Bank	Raffle	Cash	-	-	-
U.S. Bank	SEF	Cash	1,550,015	(23,641)	1,526,374
University of New Mexico	Agency account	Cash	1,494,673	2,916	1,497,589
UNM Foundation	Restricted	Cash	94,193	-	94,193
			\$ 4,489,477	\$ (35,398)	\$ 4,454,079

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Notes to Financial Statements

June 30, 2019 and 2018

A detail of the cash accounts at June 30, 2018 is included below:

Name	Account Name	Account Type	Bank Balance	Reconciling Items	Reconciled Balance
Petty cash	-	-	\$ 200	\$ -	\$ 200
U.S. Bank	Operating	Cash	889,209	(166,840)	722,369
U.S. Bank	Raffle	Cash	61,976	-	61,976
U.S. Bank	SEF	Cash	818,502	34,276	852,778
University of New Mexico	Agency account	Cash	2,263,159	201,820	2,464,979
UNM Foundation	Restricted	Cash	94,193	-	94,193
			<u>\$ 4,127,239</u>	<u>\$ 69,256</u>	<u>\$ 4,196,495</u>

(6) Endowments Held by UNM/UNM Foundation

UNM/UNMF Endowment Program holds endowment funds and related expendable income funds, which have been contributed for the benefit of Lobo Club. The principal balances amounted to \$242,101 and \$244,985 as of June 30, 2019 and 2018, respectively. A portion of the earnings from the funds, in the amount of \$27,779 and \$42,436, respectively, was allocated to the spending accounts for student scholarships or other expenses, as stipulated by the donor. UNMF estimates quarterly earnings for the first three quarters. The final annual allocation was determined and adjustments were made in the fourth quarter allocation on June 30. The principal endowment balances disclosed herein are not recorded in the Lobo Club's financial statements.

Risk disclosure information relating to the UNMF investments in the Combined Investment Fund (CIF) may be obtained by reference to the annual financial report of UNM. That report may be obtained by contacting the Controller's office at UNM Business Center, 1700 Lomas NE, Albuquerque, New Mexico 87131-0311.

(7) Risk Management

Lobo Club, through UNM, participates in the State of New Mexico Risk Management Program (Risk Management), which provides general liability, auto liability, physical damage, and workers' compensation insurance. The Risk Management liability insurance coverage includes most employee liability claims; those claims falling outside this state program are in limited amounts and are covered by UNM from its operating budget. UNM'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.

Report of Independent Auditors 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*

The Board of Directors
UNM Lobo Club
and
Mr. Brian S. Colón, Esq.
New Mexico State Auditor

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 of the UNM Lobo Club (Lobo Club), a component of the University of New Mexico, which comprise the statement of net position as of June 30, 2019, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 1, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lobo Club's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lobo Club's internal control. Accordingly, we do not express an opinion on the effectiveness of Lobo Club's 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lobo Club's 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*.

Lobo Club's Response to Findings

Lobo Club's response to the findings identified in our audit is described in the accompanying schedule of findings and responses as. Lobo Club's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Lobo Club's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lobo Club's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mess Adams LLP

Albuquerque, New Mexico
October 1, 2019

UNM LOBO CLUB

(A Component Unit of the University of New Mexico)

Summary of Auditor's Results (As Required by 2.2.2.10 NMAC L91) f)

June 30, 2019

Financial Statements

Type of report the auditor issued on whether the financial

statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

Yes

No

Yes

None reported

Compliance and other matters noted?

Yes

No

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)

Schedule of Findings and Responses

June 30, 2019

Finding 2019-001 – General Ledger Reconciliation/Financial Close and Reporting Process Material Weakness in Internal Controls

Criteria – In order to provide timely and accurate financial reports, the general ledger accounts of Lobo Club should be reconciled on a timely basis. The reconciliations performed by accounting and finance staff should be approved by supervisory personnel and supported with proper documentation.

A strong system of internal controls ensures that accurate and complete financial statements are prepared in accordance with generally accepted accounting principles (GAAP), including all required disclosures. This can be achieved by producing the financial statements in house, or by outsourcing the function. But if outsourced, management retains the responsibility to ensure the statements are accurate, complete, and in accordance with GAAP.

Condition and context – During our test work over the Due to University of New Mexico balance we noted a material variance of \$322,932, between what was recorded on the Lobo Club books and the confirmation received from UNM. We noted \$100,000 related to scholarship accruals and \$222,932 related to Sports Enhancement Fund budget overages for various sports programs. The requests for payment were received by Lobo Club on June 30, 2019 and were subsequently paid on July 2, 2019, however, the payment requests were not properly accrued as of June 30, 2019.

Cause – The accounting policies, procedures, and controls to ensure a robust internal control structure governing the general ledger maintenance and the financial close and reporting process are not functioning as intended.

Effect – The Lobo Club liabilities and expenses were understated by \$322,932 prior to adjustment.

Recommendation – We recommend that the Lobo Club accounting policies, procedures and controls be re-examined and improvements should be made to ensure accurate and timely financial statements can be produced and to ensure subsidiary accounts are accurately and timely maintained and reconciled.

Management response – The Lobo Club is pleased to be presented with an unmodified and clean opinion for fiscal year 2019. We acknowledge the accrual finding at the end of fiscal year 2019. As a disbursement agent, the Lobo Club received a request for payment to the University for the sports enhancement expenses on July 1, 2019. Lobo Club went through the proper approval methods to pay the University for the expenses and sent payment on July 2, 2019. While the payment was made after the close of the fiscal year, we are aware an accounts payable adjustment should have been made to Lobo Club's books to post in fiscal year 19. It is important to note that the adjustment was made and the financial statements are accurately reflected for fiscal year 19.

The Lobo Club went through a series of transitions during the fiscal year while adjusting to new requests, policies and procedures for the financial activity that occurs between the Lobo Club and the University. With a full year of experience under the new processes controls have been put in place to ensure that liabilities at fiscal year-end will be reported correctly. Controls such as reconciling monthly with the University and frequent communication regarding outstanding payments due to the University will also limit the risk associated with unmatched year-end closing entries. The Lobo Club Executive Director plans to meet frequently with Main Campus to discuss the financial activity that occurs between the Lobo Club and the University and to ensure the accuracy of the year end balances.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
Summary Schedule of Prior Audit Findings
June 30, 2019

No prior year matters reported.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)

Exit Conference

Year ended June 30, 2019

An exit conference was held on September 26, 2019. During this meeting, the contents of this report were discussed with the following individuals:

UNM Lobo Club

Warren Ellis – Board VP, head of finance committee
Bart Kinney – Board member/finance committee
John Perner – Board member/finance committee
Rick Siegel – Board member/finance committee
Cliff Gramer – Board member/finance committee
Sheila Mendez – Board member/finance committee
Jim Wills – Board member/executive committee
Eddie Nunez – Director of Athletics
David Williams – Deputy A.D. for External Affairs
Nicole Dopson – Director of Financial Operations for Academic Affairs
Jalen Dominguez – Executive Director of the Lobo Club
Josh Padilla – Financial Manager of the Lobo Club

Moss Adams LLP

Lisa Todd, CPA - Partner

Lobo Club is responsible for the contents of the financial statements. Moss Adams LLP assisted with the preparation of the financial statements.