



UNM LOBO CLUB

**(A Component Unit of The
University of New Mexico)**

FINANCIAL STATEMENTS

MAY 31, 2008

Moss Adams LLP
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TABLE OF CONTENTS

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

OFFICIAL ROSTER.....	1
INDEPENDENT AUDITORS' REPORT.....	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS	
Balance Sheets	8
Statements of Revenues, Expenses and Changes in Net Assets	9
Statements of Cash Flows	10
Notes to Financial Statements.....	11
SUPPLEMENTARY INFORMATION	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	19
Schedule of Findings and Responses	21
Exit Conference.....	24

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
Official Roster
May 31, 2008

OFFICERS

Mr. Tom Growney, President
Mr. Scott Creagan, President-Elect
Mr. Bob Cooper, Past President
Mr. Bruce Beebe, Vice President
Bill Cates, Vice President
Mr. Bruce Hoover, Vice President
Mr. Bob Robeda, Vice President
Mr. RJ Berry, Secretary

COMMITTEE CHAIRS

Mr. Bruce Beebe, Finance Chair

EXECUTIVE DIRECTOR

Mr. David Sabolcik

DIRECTORS

Mr. Del Archuleta	Mr. Lyle Daniels
Mr. Noel Behne	Mr. Tom Moran
Mr. Ben Darwin	Mr. Ron Nelson
Mr. Bill Duffey	Mr. Gordon Noonan
Mr. Don Duke	Ms. Annie O'Connell
Mr. Randy Eastburg	Mr. Jeff Oliveira
Mr. Jamie Galles	Ms. Linda Perkins
Mr. Mark Gundlach	Mr. Neal Piltch
Ms. Sharon Knowles	Mr. Nestor Romero
Mr. Mark Leshner	Mr. Doug Vaughan
Mr. J.C. Lopez	Mr. Alan Wilson
Mr. Rob Machacek	All Past Presidents

EX-OFFICIO DIRECTORS

Mr. Paul Krebs	Mr. Mark Moores
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HONORARY LIFETIME MEMBERS

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

Independent Auditors' Report

The Board of Directors
UNM Lobo Club
and
Hector H. Balderas
New Mexico State Auditor

We have audited the accompanying basic financial statements of the UNM Lobo Club, a component unit of the University of New Mexico, (Lobo Club) as of and for the years ended May 31, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of the Lobo Club's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Lobo Club's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lobo Club at May 31, 2008 and 2007, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2008 on our consideration of the 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

The Board of Directors
UNM Lobo Club
and
Hector H. Balderas
New Mexico State Auditor

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* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Moss Adams LLP

Albuquerque, New Mexico
October 9, 2008

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
MANAGEMENT'S DISCUSSION AND ANALYSIS
May 31, 2008

This management's discussion and analysis (MD&A) of UNM Lobo Club (Lobo Club) provides an overview of the Lobo Club's financial performance for the fiscal years ended May 31, 2008, 2007 and 2006.

Overview of the Basic Financial Statements

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

Reporting the Lobo Club's Activities

Financial Information

The Lobo Club's condensed financial information as of and for the years ended May 31, 2008, 2007 and 2006 are provided in the following table:

Condensed Financial Information

	2008	2007	2006
Current assets	\$ 5,077,961	4,610,176	4,516,580
Capital assets	2,933	3,163	2,956
Total assets	\$ 5,080,894	4,613,339	4,519,536
Current liabilities	\$ 3,520,808	3,198,576	3,166,198
Net assets			
Invested in capital assets	2,933	3,163	2,956
Restricted expendable - McDavid			
Lounge and Zia Club	26,216	16,812	30,367
Unrestricted	1,530,937	1,394,788	1,320,015
Total net assets	1,560,086	1,414,763	1,353,338
Total liabilities and net assets	\$ 5,080,894	4,613,339	4,519,536

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
May 31, 2008

	2008	2007	2006
Operating Revenues			
Grants, bequests and contributions	\$ 4,851,451	3,700,445	3,707,115
Special events and other	<u>243,329</u>	<u>238,107</u>	<u>203,978</u>
Total operating revenues	<u>5,094,780</u>	<u>3,938,552</u>	<u>3,911,093</u>
Operating Expenses			
General and administrative	820,998	543,378	522,267
Program expenses	<u>4,315,552</u>	<u>3,481,375</u>	<u>3,525,518</u>
Total operating expenses	<u>5,136,550</u>	<u>4,024,753</u>	<u>4,047,785</u>
Operating loss	(41,770)	(86,201)	(136,692)
Nonoperating revenue	<u>187,093</u>	<u>147,626</u>	<u>137,780</u>
Change in net assets	145,323	61,425	1,088
Net assets, beginning of year	<u>1,414,763</u>	<u>1,353,338</u>	<u>1,352,250</u>
Net assets, end of year	<u>\$ 1,560,086</u>	<u>1,414,763</u>	<u>1,353,338</u>

Summary of Net Assets

Assets

A majority of the May 31, 2008, 2007 and 2006 assets are in the form of cash in the amount of \$4,832,669, \$4,441,023 and \$4,393,497, respectively. As of May 31, 2008, \$4,654,051 is on deposit with The University of New Mexico (UNM), \$178,118 is in an operating bank account at First State Bank, and \$500 is maintained in the form of petty cash. As of May 31, 2007, \$4,302,814 is on deposit with The University of New Mexico (UNM), \$137,709 is in an operating bank account at First State Bank, and \$500 is maintained in the form of petty cash. As of May 31, 2006, \$4,296,126 is on deposit with The University of New Mexico (UNM), \$96,871 is in an operating bank account at First State Bank, and \$500 is maintained in the form of petty cash.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
May 31, 2008

Liabilities

A majority of the liabilities are in the form of a payable due to UNM for unrestricted donations in the amount of \$2,692,100, \$2,300,000 and \$2,300,000 as of May 31, 2008, 2007 and 2006, respectively, and purpose restricted donations of \$52,139, \$88,360 and \$95,097 as of May 31, 2008, 2007 and 2006, respectively.

Net Assets

The net assets consist mostly of unrestricted assets totaling \$1,530,937, \$1,394,788 and \$1,320,015 at May 31, 2008, 2007 and 2006, respectively.

Summary of Revenues, Expenses and Changes in Net Assets

Revenues

A majority of the May 31, 2008 revenues are operating revenues consisting of contributions in the amount of \$4,851,451, including \$3,317,541 of contributions and \$1,533,910 of gift-in-kind contributions. Contribution revenues increased \$1,151,006 from the prior year amount of \$3,700,445.

A majority of the May 31, 2007 revenues are operating revenues consisting of contributions in the amount of \$3,700,445, including \$2,294,232 of contributions and \$1,406,213 of gift-in-kind contributions. Contribution revenues decreased \$6,670 from the prior year amount of \$3,707,115.

A majority of the May 31, 2006 revenues are operating revenues consisting of contributions in the amount of \$3,707,115, including \$2,292,135 of contributions and \$1,414,980 of gift-in-kind contributions. Contribution revenues increased \$666,928 from the prior year amount of \$3,040,187.

Expenses

Total expenses for fiscal year 2008 are composed of \$820,998 in general and administrative expenses and \$4,315,551 in program expenses. Total expenses for fiscal year 2007 are composed of \$543,378 in general and administrative expenses and \$3,481,375 in program expenses. Total expenses for fiscal year 2006 are composed of \$522,267 in general and administrative expenses and \$3,525,518 in program expenses. Total expenses increased \$1,111,797 over the prior year primarily due to an increase in program expenses of \$834,177.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
May 31, 2008

Change in Net Assets

Net assets increased \$145,323 to \$1,560,686 at May 31, 2008 from \$1,414,763 at May 31, 2007. The increase is due to operating loss of \$41,770 offset by interest income of \$187,093. Net assets increased \$61,425 to \$1,414,763 at May 31, 2007 from \$1,353,338 at May 31, 2006. The increase is due to operating loss of \$86,201 offset by interest income of \$147,626.

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

Capital Assets and Long-Term Debt Administration Capital Assets

Capital Assets

The Lobo Club's capital assets consist of office furniture and personal computers. The total asset value as of May 31, 2008 is \$36,010, of which \$33,077 has been depreciated resulting in a remaining asset value of \$2,933. The total asset value as of May 31, 2007 is \$35,064, of which \$31,901 has been depreciated resulting in a remaining asset value of \$3,163. The total asset value as of May 31, 2006 is \$34,158, of which \$31,202 has been depreciated resulting in a remaining asset value of \$2,956.

Long-Term Debt

The Club currently has no long-term debt.

Contacting the Lobo Club's Financial Management

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

If you have questions about this report or need additional financial information, contact UNM Lobo Club at Department of Athletics, MSCO4 2680, 1 University of New Mexico, Albuquerque, NM 87131.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
BALANCE SHEETS
May 31, 2008 and 2007

ASSETS

	2008	2007
Current Assets		
Cash and cash equivalents	\$ 4,832,669	4,441,023
Accounts receivable, net	240,011	162,488
Other current assets	5,281	6,665
Total current assets	<u>5,077,961</u>	<u>4,610,176</u>
Noncurrent Assets		
Capital assets, net		
Equipment and furnishings	2,933	3,163
Total assets	<u>\$ 5,080,894</u>	<u>4,613,339</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 62,235	50,785
Due to The University of New Mexico - unrestricted donations	2,692,100	2,300,000
Due to The University of New Mexico - restricted donations	52,139	88,360
Deferred income	714,334	759,431
Total current liabilities	<u>3,520,808</u>	<u>3,198,576</u>
Net Assets		
Invested in capital assets	2,933	3,163
Restricted expendable - McDavid Lounge and Zia Club	26,216	16,812
Unrestricted	1,530,937	1,394,788
Total net assets	<u>1,560,086</u>	<u>1,414,763</u>
Total liabilities and net assets	<u>\$ 5,080,894</u>	<u>4,613,339</u>

See Notes to Financial Statements.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Years Ended May 31, 2008 and 2007

	2008	2007
Operating Revenues		
Grants, bequests, and contributions	\$ 4,851,451	3,700,445
Special events	240,463	210,787
Other operating revenues	2,866	27,320
Total operating revenues	<u>5,094,780</u>	<u>3,938,552</u>
Operating Expenses		
General and administrative	820,998	543,378
Program expense	4,315,552	3,481,375
Total operating expenses	<u>5,136,550</u>	<u>4,024,753</u>
Operating loss	(41,770)	(86,201)
Nonoperating Revenue		
Investment income	<u>187,093</u>	147,626
Change in net assets	145,323	61,425
Net assets, beginning of year	<u>1,414,763</u>	1,353,338
Net assets, end of year	<u><u>\$ 1,560,086</u></u>	<u>1,414,763</u>

See Notes to Financial Statements.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
STATEMENTS OF CASH FLOWS
Years Ended May 31, 2008 and 2007

	2008	2007
Cash Flows from Operating Activities		
Receipts from members and others	\$ 3,565,948	2,541,835
Payments to the University of New Mexico	(2,371,827)	(2,198,816)
Payments to employees and vendors	(988,622)	(442,213)
Net cash provided (used) by operating activities	205,499	(99,194)
Cash Flows from Capital Activities		
Purchases of capital asset	(946)	(906)
Cash Flows from Investing Activities		
Investment income	187,093	147,626
Net increase in cash and cash equivalents	391,646	47,526
Cash and cash equivalents, beginning of year	4,441,023	4,393,497
Cash and cash equivalents, end of year	\$ 4,832,669	4,441,023
Reconciliation of operating loss to net cash provided (used) by operating activities		
Operating loss	\$ (41,770)	(86,201)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities		
Depreciation expense	1,176	699
Changes in assets and liabilities		
Accounts receivable	(77,523)	(49,626)
Inventories	-	8,972
Other current assets	1,384	(5,416)
Accounts payable	11,450	(20,007)
Deferred income	(45,097)	59,122
Due to The University of New Mexico	355,879	(6,737)
Net cash provided (used) by operating activities	\$ 205,499	(99,194)

See Notes to Financial Statements.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
NOTES TO FINANCIAL STATEMENTS
May 31, 2008

NOTE 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 the Lobo Club's Executive Director, who is appointed by the Lobo Club's board of directors and UNM.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation. The accompanying basic financial statements include only the accounts of the Lobo Club.

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

As required by GASB No. 14, *The Financial Reporting Entity*, the Lobo Club is a discretely presented component unit of UNM. The Lobo Club has no component units. The Lobo Club applies enterprise fund accounting and the 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.

Pursuant to GASB No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Lobo Club has elected to apply relevant pronouncements of the Financial Accounting Standards Board (FASB), (excluding those issued after November 30, 1989), except those that conflict with GASB pronouncements.

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

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.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
NOTES TO FINANCIAL STATEMENTS
May 31, 2008

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents. Cash and cash equivalents consist of cash deposits and an agency account held by The University of New Mexico.

Capital Assets. The Lobo Club's capital assets consist of equipment including related software and furnishings. The Lobo Club's policy is to capitalize all disbursements for equipment and furnishings in excess of \$500. Items with a cost of less than \$500 are expensed in the year of acquisition. Donated equipment is recorded at fair market value at the date of donation. Repairs and maintenance expenses are charged to operations when incurred and major improvements and replacements are capitalized. Depreciation is provided for on furniture, fixtures, and equipment using the straight-line basis over estimated useful lives of five to ten years.

Revenue Recognition. The Lobo Club recognizes revenue from grants, bequests, and contributions when all applicable eligibility requirements are met. All purpose-restricted contributions are reported as increases in restricted net assets are reclassified to unrestricted net assets. Promises to give (pledges) are recorded at net realizable value. Deferred revenue represents revenue received for which applicable eligibility requirements have not been met.

Income Taxes. The 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 years ended May 31, 2008 and 2007.

Net Assets.

Invested in Capital Assets – represent the Lobo Club's total investment in capital assets, net of accumulated depreciation.

Restricted Net Assets – represent those operating funds on which external restrictions have been imposed that limit the purposes for which such funds can be used. Restricted expendable net assets are resources that the 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.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
NOTES TO FINANCIAL STATEMENTS
May 31, 2008

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unrestricted Net Assets – consist of those operating funds over which the 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, the Lobo Club's policy is to first apply the expense toward restricted resources, and then toward unrestricted resources.

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 the Lobo Club acts as an agent are transferred directly to the UNM Athletic Department and are reflected only as pass-through activity in the accompanying basic financial statements.

NOTE 3. THE UNIVERSITY OF NEW MEXICO TRANSACTIONS

The 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 Program. On May 25, 1993, UNM and the 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 16, 2003 and did not have a significant impact on the operations of the Lobo Club. The Lobo Club's employees are paid by UNM and they participate in UNM's employee benefit programs. Amounts due to UNM at May 31, 2008 and 2007 for the Lobo Club's employees' salaries and related benefits are reflected in the Due to the University of New Mexico balance in the balance sheets. Salary and related benefit expenditures are reflected as general and administrative expenses in the statements of revenues, expenses and changes in net assets. The agreement can be terminated by either party, at which time the Lobo Club's assets would revert to UNM. As a fund-raising entity operating solely in support of the UNM Athletic Department Program, the Lobo Club is provided with 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 statement for this office space, equipment, or other support services.

The Lobo Club authorized final cash contributions for unrestricted donations of \$2,675,567 and \$2,103,719 to the UNM Athletic Department Program for the fiscal years ended May 31, 2008 and 2007, respectively. This contribution is included in the amounts reported as Due to The University of New Mexico in the balance sheets and reflected as a program expense in the statements of revenues, expenses, and changes in net assets.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
NOTES TO FINANCIAL STATEMENTS
May 31, 2008

**NOTE 3. THE UNIVERSITY OF NEW MEXICO TRANSACTIONS
(CONTINUED)**

As fiscal agent for the Lobo Club, UNM disburses funds to vendors and employees on behalf of the Lobo Club. The Club reimburses UNM for such disbursements. As of May 31, 2008 and 2007, the Lobo Club has accrued \$16,533 and \$196,281, respectively, in Due to University of New Mexico unrestricted donations and had reimbursed UNM \$107,900 during the month of June 2008. These donations are payable to the UNM Athletic Department when received and typically paid after each fiscal year-end. As of May 31, 2008 and 2007, the Lobo Club has accrued \$52,139 and \$88,360, respectively, in purpose-restricted donations included in the amounts reported as Due to the University of New Mexico restricted donations in the balance sheets.

During the years ended May 31, 2008 and 2007, the Lobo Club generated pass-through gifts-in-kind of advertising and media services, automobile leases, food, and meeting facilities, among other items, which were valued at \$1,533,910 and \$1,406,213, 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 expenses in the accompanying basic financial statements because the Lobo Club provides membership benefits to the contributors in return for the in-kind gifts.

NOTE 4. RECEIVABLES

Receivables consist of the following:

	2008	2007
Promises to give (pledges)	\$ 304,137	144,740
Amounts due from individuals and corporations for special events	18,714	34,335
University of New Mexico Foundation (due to)	<u>(4,140)</u>	<u>43,250</u>
	318,711	222,325
Allowance for uncollectable pledges	<u>(78,700)</u>	<u>(59,837)</u>
Total	<u>\$ 240,011</u>	<u>162,488</u>

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
NOTES TO FINANCIAL STATEMENTS
May 31, 2008

NOTE 5. CAPITAL ASSETS

A summary of the Lobo Club's capital assets at May 31, 2008 is as follows:

	Beginning of Year	Increase	Decrease	End of Year
Capital assets being depreciated – equipment and furnishings	\$ 35,064	946	-	36,010
Accumulated depreciation	(31,901)	(1,176)	-	(33,077)
Capital assets, net	<u>\$ 3,163</u>	<u>(230)</u>	<u>-</u>	<u>2,933</u>

A summary of the Lobo Club's capital assets at May 31, 2007 is as follows:

	Beginning of Year	Increase	Decrease	End of Year
Capital assets being depreciated – equipment and furnishings	\$ 34,158	906	-	35,064
Accumulated depreciation	(31,202)	(699)	-	(31,901)
Capital assets, net	<u>\$ 2,956</u>	<u>207</u>	<u>-</u>	<u>3,163</u>

NOTE 6. RETIREMENT PLANS AND POSTRETIREMENT BENEFITS

Plan Description. Substantially all of the Lobo Club's full-time employees, as employees of the University of New Mexico, participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers, and other employees of State public school districts, colleges and universities) and beneficiaries. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to ERB, PO Box 26129, Santa Fe, NM 87502. The report is also available on ERB's website at www.nmerb.org.

Funding Policy. Plan members are required to contribute 7.42% of their gross salary. The Lobo Club is required to contribute 10.9% of the gross covered salary. Effective July 1, 2008, plan members are required to contribute 7.9% of their gross salary. The employer contribution will increase .75% each year until July 1, 2011 when the employer contribution will be 13.9%. The contribution requirements of plan members and the Lobo Club are established in State statute under Chapter 22, Article 11, NMSA 1978.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
NOTES TO FINANCIAL STATEMENTS
May 31, 2008

NOTE 6. RETIREMENT PLANS AND POSTRETIREMENT BENEFITS
(CONTINUED)

The requirements may be amended by acts of the legislature. The Lobo Club's contributions to ERB for the fiscal years ending June 30, 2007 and 2006 were \$15,562 and \$21,359, respectively, which equal the amount of the required contributions for each fiscal year.

For the year ended May 31, 2008, the Lobo Club employees' payroll and related expenses were paid by the University of New Mexico's Athletic Department and no longer the responsibility of the Lobo Club itself.

Retirement Benefits.

Vesting in Retirement Benefits – A member becomes vested once he/she has met service requirements and has made contributions to the retirement plan for at least five years. Service requirements are satisfied by five or more years of “earned service credit” (actual service) or an “allowed service credit”.

Eligibility for Retirement Benefits – Eligibility follows the Rule of 75, that is, when your age plus the number of years of earned service credit equals 75, or if at age 65 you have a minimum of 5 years of earned service, credit, or you have 25 years of earned service credit or a combination of 25 years of earned and allowed service credit.

Allowed Service Credit – Up to five years of allowed service credit may be purchased if you have been an administrator, teacher, or employee in one of the following: any public educational system in the United States, any US Military dependent school, or any accredited private school or federal education program in New Mexico. The cost of purchase is 12% of member's current annualized New Mexico salary for each year of credit that you wish to purchase. Up to five years of active military service may be purchased if your payment is made within three years of the effective date of coverage under the Educational Retirement Act. The cost of purchase is 10.5% of member's average annual salary for all years of covered employment for each year purchased.

Postretirement Benefits – In addition to the pension benefits described above, UNM provides certain other postretirement benefits. UNM pays the same percent of the premium for medical, dental, and life insurance that the employee was eligible for at the time of retirement.

UNM also provides tuition assistance for eligible retirees. Retirees are entitled to enroll in an unlimited number of courses without paying tuition, including continuing education classes. Expenses for tuition remission for retirees are recognized on a quarterly basis.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
NOTES TO FINANCIAL STATEMENTS
May 31, 2008

NOTE 6. RETIREMENT PLANS AND POSTRETIREMENT BENEFITS
(CONTINUED)

For the year ended May 31, 2008, the Lobo Club employees' payroll and related expenses were paid by the University of New Mexico's Athletic Department and will no longer be the responsibility of the Lobo Club itself.

NOTE 7. CASH

The Lobo Club has \$4,654,051 and \$4,302,814 on deposit with UNM at May 31, 2008 and 2007, 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. However, UNM, as fiscal agent, requires the financial institution holding these funds to maintain minimum collateral requirements of 100%.

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.

The Lobo Club had \$178,118 and \$121,955 on deposit with a local financial institution at May 31, 2008 and 2007, respectively. These balances were insured by the Federal Deposit Insurance Corporation up to \$100,000. The uninsured amount at risk as of May 31, 2008 and 2007 was \$78,118 and \$21,955, respectively. The Lobo Club does not require collateral on its cash deposits.

A detail of the cash accounts at May 31, 2008 is included below:

Name of Depository	Account Name	Account Type	Bank Balance	Reconciling Items	Reconciled Balance
Petty cash	-	-	\$ 500	-	500
First Community Bank	Operating	Cash	572,069	(393,951)	178,118
University of New Mexico	Agency Account	Cash	4,654,051	-	4,654,051
			<u>\$ 5,226,620</u>	<u>(393,951)</u>	<u>4,832,669</u>

NOTE 8. RELATED PARTY TRANSACTIONS

The Lobo Club received \$316,635 and \$184,998 in contributions from Board Members for the years ended May 31, 2008 and 2007, respectively. In addition, the Club purchased goods and services of companies that Board Members are employed by in the amount of \$30,091 and \$70,875 for the years ended May 31, 2008 and 2007, respectively.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
NOTES TO FINANCIAL STATEMENTS
May 31, 2008

NOTE 9. CONTINGENCIES

The Lobo Club, through UNM, participates in the State of New Mexico Risk Management Program (Risk Management) that provides general liability, auto liability, physical damage and workers' compensation insurance. The Risk Management program 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 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
Hector H. Balderas
New Mexico State Auditor

We have audited the basic financial statements of the UNM Lobo Club, a component unit of the University of New Mexico, (Lobo Club) as of and for the year ended May 31, 2008, and have issued our report thereon dated October 9, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Lobo Club's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Lobo Club's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in

The Board of Directors
UNM Lobo Club
and
Hector H. Balderas
New Mexico State Auditor

the accompanying schedule of findings and responses as item 08-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lobo Club's financial statements are free of material misstatement, we performed tests of its compliance with certain provision 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*.

The Lobo Club's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Lobo Club's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, and the New Mexico State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Moss Adams LLP

Albuquerque, New Mexico
October 9, 2008

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
SCHEDULE OF FINDINGS AND RESPONSES
May 31, 2008

PRIOR YEAR FINDINGS

None

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
May 31, 2008

CURRENT YEAR FINDINGS

08-01 Accounts Receivable Reconciliation

CONDITION

We noted that during the year, the Lobo Club's annual fund contribution subsidiary ledgers were not reconciled with the general ledger and that there was no formal, written procedure for the annual fund contribution posting process. Also, multiple employees had access to post transactions.

CRITERIA

Formal reconciliations help ensure that errors and fraud are detected timely. Formal written procedures help ensure that control activities are communicated to employees so that they are performed as intended. Access to record keeping functions should be limited to reduce the potential for issues related to the segregation of duties.

EFFECT

There is an increased risk that errors or fraud may not be detected timely. Management may not be receiving accurate financial information. The completion of the audit was delayed while the reconciliations were performed.

CAUSE

It was apparent that the recent vacancy of accounting staff and the lack of a formalized, written procedure process resulted in inaccurate adjustments to past donor payment and changes to prior reconciliation which resulted in an increased effort to reconcile the year end annual fund contribution subsidiary ledgers.

RECOMMENDATION

The Lobo Club should develop a written procedure for the reconciliation of all balance sheet accounts to their subsidiary ledgers in order to ensure that accuracy of the monthly financial statements and underlying subsidiary ledgers. This will help to ensure the accuracy of the monthly financial statements and underlying subsidiary ledgers. Proper segregation is not always possible in a small organization, but limiting the amount of employees able to post transaction to the annual fund contribution subsidiary ledgers with segregation to the extent possible can and should be implemented. The level of staffing should be evaluated to determine that there is adequate staffing available to perform reconciliations.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
May 31, 2008

CURRENT YEAR FINDINGS (CONTINUED)

08-01 Accounts Receivable Reconciliation (Continued)

MANAGEMENT RESPONSE

The recent vacancy of staff made it apparent to management that there is a need for formal, written procedures for making correcting entries to the annual fund contribution subsidiary ledgers. While this information is included in the instruction that is provided to new staff during training, a procedure manual will provide readily available answers to data entry questions and will help to insure that each step of the process is performed as intended.

UNM LOBO CLUB
(A Component Unit of The University of New Mexico)
EXIT CONFERENCE
May 31, 2008

We discussed the recommendations contained in this letter during the exit conference held October 14, 2008. The exit conference was attended by the following individuals:

UNM Lobo Club

Bruce Beebe, Finance Chair
Scott Creagan, President Elect
Tom Growney, President
Bruce Hoover, Vice President
Linda Perkins, Board Member
Bob Robeda, Vice President
David Sabolcik, Executive Director
Katrina Martinez, Accountant

Moss Adams LLP

Jason Galloway, Manager

Moss Adams LLP assisted with the preparation of the financial statements.