

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

FINANCIAL STATEMENTS

MAY 31, 2009

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>	17
Schedule of Findings and Responses	19
Exit Conference	27

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
Official Roster
May 31, 2009

OFFICERS

Mr. Scott Creagan, President
Mr. Bruce Beebe, President-Elect
Mr. Tom Growney, Immediate Past President
Mr. Bruce Beebe, Vice President
Mr. Noel Behne, Vice President
Mr. Bob Robeda, Vice President
Ms. Anndee Wright Brown, Vice President
Mr. JC Lopez, Vice President
Mr. Bill Cates, Secretary

COMMITTEE CHAIRS

Mr. Bruce Beebe, Finance Chair

EXECUTIVE DIRECTOR

Mr. David Sabolcik

DIRECTORS

Mr. Del Archuleta	Mr. Lyle Daniels
Mr. RJ Berry	Mr. Ron Nelson
Mr. Noel Behne	Mr. Gordon Noonan
Mr. Bill Cates	Ms. Annie O'Connell
Mr. Scott Creagan	Mr. Jeff Oliveira
Mr. Ben Darwin	Ms. Linda Perkins
Mr. Don Duke	Mr. Neal Piltch
Mr. Randy Eastburg	Mr. Robert Robeda
Mr. Bruce Hoover	Mr. Nestor Romero
Ms. Sharon Knowles	Mr. Doug Vaughan
Mr. Mark Leshner	Mr. Alan Wilson
Mr. J.C. Lopez	All Past Presidents

EX-OFFICIO DIRECTORS

Mr. Paul Krebs	Mr. Jason Bousliman
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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, 2009 and 2008, 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, 2009 and 2008, 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, 2009 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, 2009

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
MANAGEMENT'S DISCUSSION AND ANALYSIS
May 31, 2009

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, 2009, 2008 and 2007.

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, 2009, 2008 and 2007 are provided in the following table:

Condensed Financial Information

	2009	2008	2007
Current assets	\$ 5,107,589	5,077,961	4,610,176
Capital assets	2,091	2,933	3,163
Total assets	<u>\$ 5,109,680</u>	<u>5,080,894</u>	<u>4,613,339</u>
Current liabilities	<u>\$ 4,193,729</u>	<u>3,520,808</u>	<u>3,198,576</u>
Net assets			
Invested in capital assets	2,091	2,933	3,163
Restricted expendable - McDavid			
Lounge and Zia Club	37,843	26,216	16,812
Unrestricted	<u>876,017</u>	<u>1,530,937</u>	<u>1,394,788</u>
Total net assets	<u>915,951</u>	<u>1,560,086</u>	<u>1,414,763</u>
Total liabilities and net assets	<u>\$ 5,109,680</u>	<u>5,080,894</u>	<u>4,613,339</u>

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
May 31, 2009

	2009	2008	2007
Operating Revenues			
Grants, bequests and contributions	\$ 5,081,201	4,851,451	3,700,445
Special events and other	<u>200,486</u>	<u>243,329</u>	<u>238,107</u>
Total operating revenues	<u>5,281,687</u>	<u>5,094,780</u>	<u>3,938,552</u>
Operating Expenses			
General and administrative	287,488	193,452	455,016
Program expenses	<u>5,738,413</u>	<u>4,943,098</u>	<u>3,569,737</u>
Total operating expenses	<u>6,025,901</u>	<u>5,136,550</u>	<u>4,024,753</u>
Operating loss	(744,214)	(41,770)	(86,201)
Nonoperating revenue	<u>100,079</u>	<u>187,093</u>	<u>147,626</u>
Change in net assets	(644,135)	145,323	61,425
Net assets, beginning of year	<u>1,560,086</u>	<u>1,414,763</u>	<u>1,353,338</u>
Net assets, end of year	<u>\$ 915,951</u>	<u>1,560,086</u>	<u>1,414,763</u>

Summary of Net Assets

Assets

A majority of the May 31, 2009, 2008 and 2007 assets are in the form of cash in the amount of \$4,835,390, \$4,832,669 and \$4,441,023, respectively. As of May 31, 2009, \$4,444,728 is on deposit with The University of New Mexico (UNM), \$390,162 is in an operating bank account at First State Bank, and \$500 is maintained in the form of petty cash. 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.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
May 31, 2009

Liabilities

A majority of the liabilities are in the form of a payable due to UNM for unrestricted donations in the amount of \$3,383,043, \$2,692,100 and \$2,300,000 as of May 31, 2009, 2008 and 2007, respectively, and purpose restricted donations of \$60,680, \$52,139 and \$88,360 as of May 31, 2009, 2008 and 2007, respectively.

Net Assets

The net assets consist mostly of unrestricted assets totaling \$876,017, \$1,530,937 and \$1,394,788 at May 31, 2009, 2008 and 2007, respectively.

Summary of Revenues, Expenses and Changes in Net Assets

Revenues

A majority of the May 31, 2009 revenues are operating revenues consisting of contributions in the amount of \$5,081,201, including \$3,574,773 of contributions and \$1,506,428 of gift-in-kind contributions. Contribution revenues increased \$277,625 from the prior year amount of \$4,851,451.

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.

Expenses

Total expenses for fiscal year 2009 are composed of \$287,488 in general and administrative expenses and \$5,738,413 in program expenses. Total expenses for fiscal year 2008 are composed of \$193,452 in general and administrative expenses and \$4,943,098 in program expenses. Total expenses for fiscal year 2007 are composed of \$455,016 in general and administrative expenses and \$3,569,737 in program expenses. Total expenses increased \$889,351 over the prior year primarily due to an increase in program expenses of \$795,315.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
May 31, 2009

Change in Net Assets

Net assets decreased \$644,135 to \$915,951 at May 31, 2009 from \$1,560,086 at May 31, 2008. Net assets increased \$145,323 to \$1,560,686 at May 31, 2008 from \$1,414,763 at May 31, 2007. The decrease is due to operating loss of \$798,478 offset by interest income of \$100,079. 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, 2009 is \$36,010, of which \$33,919 has been depreciated resulting in a remaining asset value of \$2,091. 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.

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, MSC04 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, 2009 and 2008

ASSETS

	2009	2008
Current Assets		
Cash and cash equivalents	\$ 4,835,390	4,832,669
Accounts receivable, net	270,515	240,011
Other current assets	1,684	5,281
Total current assets	<u>5,107,589</u>	<u>5,077,961</u>
Noncurrent Assets		
Capital assets, net		
Equipment and furnishings	2,091	2,933
Total assets	<u>\$ 5,109,680</u>	<u>5,080,894</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 25,615	62,235
Due to The University of New Mexico - unrestricted donations	3,383,043	2,692,100
Due to The University of New Mexico - restricted donations	60,680	52,139
Deferred income	724,391	714,334
Total current liabilities	<u>4,193,729</u>	<u>3,520,808</u>
Net Assets		
Invested in capital assets	2,091	2,933
Restricted expendable - McDavid Lounge and Zia Club	37,843	26,216
Unrestricted	876,017	1,530,937
Total net assets	<u>915,951</u>	<u>1,560,086</u>
Total liabilities and net assets	<u>\$ 5,109,680</u>	<u>5,080,894</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, 2009 and 2008**

	2009	2008
Operating Revenues		
Grants, bequests, and contributions	\$ 5,081,201	4,851,451
Special events	176,306	240,463
Other operating revenues	24,180	2,866
Total operating revenues	<u>5,281,687</u>	<u>5,094,780</u>
Operating Expenses		
General and administrative	287,488	193,452
Program expense	5,738,413	4,943,098
Total operating expenses	<u>6,025,901</u>	<u>5,136,550</u>
Operating loss	(744,214)	(41,770)
Nonoperating Revenue		
Investment income	<u>100,079</u>	187,093
Change in net assets	(644,135)	145,323
Net assets, beginning of year	<u>1,560,086</u>	1,414,763
Net assets, end of year	<u>\$ 915,951</u>	<u>1,560,086</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, 2009 and 2008

	2009	2008
Cash Flows from Operating Activities		
Receipts from members and others	\$ 3,754,813	3,565,948
Payments to the University of New Mexico	(2,661,196)	(2,371,827)
Payments to vendors	(1,190,975)	(988,622)
Net cash (used) provided by operating activities	<u>(97,358)</u>	<u>205,499</u>
Cash Flows from Capital Activities		
Purchases of capital asset	-	(946)
Cash Flows from Investing Activities		
Investment income	<u>100,079</u>	<u>187,093</u>
Net increase in cash and cash equivalents	2,721	391,646
Cash and cash equivalents, beginning of year	<u>4,832,669</u>	<u>4,441,023</u>
Cash and cash equivalents, end of year	<u><u>\$ 4,835,390</u></u>	<u><u>4,832,669</u></u>
Reconciliation of operating loss to net cash provided (used) by operating activities		
Operating loss	\$ (744,214)	(41,770)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities		
Depreciation expense	842	1,176
Changes in assets and liabilities		
Accounts receivable	(30,504)	(77,523)
Other current assets	3,597	1,384
Accounts payable	(36,620)	11,450
Deferred income	10,057	(45,097)
Due to The University of New Mexico	699,484	355,879
Net cash (used) provided by operating activities	<u><u>\$ (97,358)</u></u>	<u><u>205,499</u></u>

See Notes to Financial Statements.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
NOTES TO FINANCIAL STATEMENTS
May 31, 2009

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, 2009

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, 2009 and 2008.

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, 2009

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, 2009 and 2008 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 \$3,300,000 and \$2,675,567 to the UNM Athletic Department Program for the fiscal years ended May 31, 2009 and 2008, 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, 2009

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 Lobo Club reimburses UNM for such disbursements. As of May 31, 2009 and 2008, the Lobo Club has accrued \$83,043 and \$16,533, respectively, in Due to University of New Mexico unrestricted. These donations are payable to the UNM Athletic Department when received and typically paid after each fiscal year-end. As of May 31, 2009 and 2008, the Lobo Club has accrued \$60,680 and \$52,139, 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, 2009 and 2008, 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 \$1,506,428 and \$1,533,910, 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:

	2009	2008
Promises to give (pledges)	\$ 380,657	304,137
Amounts due from individuals and corporations for special events	14,935	18,714
University of New Mexico Foundation (due to)	<u>1,030</u>	<u>(4,140)</u>
	396,622	318,711
Allowance for uncollectable pledges	<u>(126,107)</u>	<u>(78,700)</u>
Total	<u>\$ 270,515</u>	<u>240,011</u>

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
NOTES TO FINANCIAL STATEMENTS
May 31, 2009

NOTE 5. CAPITAL ASSETS

A summary of the Lobo Club's capital assets at May 31, 2009 is as follows:

	Beginning of Year	Increase	Decrease	End of Year
Capital assets being depreciated – equipment and furnishings	\$ 36,010	-	-	36,010
Accumulated depreciation	(33,077)	(842)	-	(33,919)
Capital assets, net	\$ 2,933	(842)	-	2,091

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	\$ 3,163	(230)	-	2,933

NOTE 6. CASH

The Lobo Club has \$4,444,728 and \$4,654,051 on deposit with UNM at May 31, 2009 and 2008, 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 \$698,188 and \$178,118 on deposit with a local financial institution at May 31, 2009 and 2008, respectively. These balances were insured by the Federal Deposit Insurance Corporation up to \$250,000 and \$100,000 in 2009 and 2008, respectively. The uninsured amount at risk as of May 31, 2009 and 2008 was \$448,026 and \$78,118, respectively. The Lobo Club does not require collateral on its cash deposits.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
NOTES TO FINANCIAL STATEMENTS
May 31, 2009

NOTE 6. CASH (CONTINUED)

A detail of the cash accounts at May 31, 2009 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	698,188	(308,026)	390,162
University of New Mexico	Agency Account	Cash	4,444,728	-	4,444,728
			<u>\$ 5,143,416</u>	<u>(308,026)</u>	<u>4,835,390</u>

NOTE 7. RELATED PARTY TRANSACTIONS

The Lobo Club received \$427,328 and \$316,635 in contributions from Board Members for the years ended May 31, 2009 and 2008, respectively. In addition, the Club purchased goods and services of companies that Board Members are employed by in the amount of \$13,163 and \$30,091 for the years ended May 31, 2009 and 2008, respectively.

NOTE 8. 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, 2009, and have issued our report thereon dated October 9, 2009. 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

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

prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as items 09-01 to 09-05 to be significant deficiencies 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 none of the significant deficiencies described above is 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, 2009

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
SCHEDULE OF FINDINGS AND RESPONSES
May 31, 2009

PRIOR YEAR FINDINGS

08-01 Accounts Receivable Reconciliation

Resolved

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
May 31, 2009

CURRENT YEAR FINDINGS

09-01 Financial Statements and General Ledger Closing Process

CONDITION

The Lobo Club's interim financial statements did not include all the necessary adjustments to provide financial statements consistent with the audited financial statements distributed to outside users and in accordance with generally accepted accounting principles (GAAP). There were five journal entries proposed to convert the Lobo Club's trial balance to the accrual basis of accounting at year end.

CRITERIA

The Governmental Accounting Standards Board, *Codification of Governmental Accounting and Financial Reporting Standards (GASB)*, Section 1100 requires governments to prepare financial statements on the accrual basis of accounting.

CAUSE

Because of the vacancy of the Financial Coordinator position there was no one to post the normal accrual entries each month and at year end.

EFFECT

The Lobo Club may not have the ability to prevent and detect material misstatements in their financial statements and could result in conflicting information for management and outside users.

RECOMMENDATION

We recommend that the Lobo Club review the content of the audit adjustments made to the year-end statements and incorporate many of them into the monthly closing process and convert their trial balance to the applicable generally accepted basis prior to the audit.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
May 31, 2009

CURRENT YEAR FINDINGS (CONTINUED)

09-01 Financial Statements and General Ledger Closing Process (Continued)

MANAGEMENT RESPONSE

The recent vacancy of staff made it apparent to management that there is a need for more inclusive written procedures for the Lobo Club's Financial Coordinator position. While a core written job duties and procedures manual exists, a more detailed procedure manual will provide the proper reference material to insure each step of the process is performed as intended in the future.

09-02 General Ledger Access

CONDITION

We noted during the year that that a number of individuals have access to the general ledger (QuickBooks). We also noted that although the computer has a log in and password, QuickBooks does not. Further, QuickBooks does not have separate users set up to log who made each transaction.

CRITERIA

Separate log-in's and passwords restrict usage of the general ledger system to prevent erroneous usage and unauthorized usage. Creating separate log-in's allows the Lobo Club to track who made which entries providing further oversight.

EFFECT

The lack of password protection increases the risk of unauthorized usage.

CAUSE

The vacancy of the Financial Coordinator position required more people to have access to the QuickBooks general ledger and there was no one to properly establish this access.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
May 31, 2009

CURRENT YEAR FINDINGS (CONTINUED)

09-02 General Ledger Access (Continued)

RECOMMENDATION

The Lobo Club should restrict access to the general ledger system and track who has access. This will allow greater oversight and will ensure that the accounting is more consistent.

MANAGEMENT RESPONSE

Lobo Club management now understands the need to restrict access to its QuickBooks program above and beyond the usual password protection on the computer itself and has implemented said recommendation.

09-03 Credit Card Privacy

CONDITION

We noted during the year that credit card numbers are listed on pledge cards and credit card slips. The pledge cards are maintained in files that are not always secured or locked.

CRITERIA

Credit card security is important and the handling of the numbers in a safe manner allows for increased security for the donors protection. The Lobo Club should be aware that the Fair and Accurate Credit Transactions Act (FACTA) requires businesses to take "reasonable measures" to protect consumer information and properly dispose of it to help prevent identify theft.

EFFECT

Although no issues regarding credit cards were noted during test work, the current handling of the credit card numbers increases the risk that they could be misused or misplaced.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
May 31, 2009

CURRENT YEAR FINDINGS (CONTINUED)

09-03 Credit Card Privacy (Continued)

CAUSE

Credit card numbers need to be written down so that they can be processed by the UNM ticket office. Currently, there are no credit card machines to process transactions at the Lobo Club. Some of the pledge cards have credit card numbers written on them and are maintained in the pledge boxes, which are filed by students and are not always secured or locked.

RECOMMENDATION

We recommend that the Lobo Club review its procedures for using and disposing of consumer information to determine that they comply with the law. Once the credit cards have been processed by UNM ticket office, access to the numbers should be restricted and paper copies of consumer information should be disposed of by shredding them in a way that prevents them from being read or reconstructed. Similarly, electronic records should be deleted in a way that prevents their reading or reconstruction.

MANAGEMENT RESPONSE

Lobo Club management understand the need to protect the privacy of its donors' personal information and will add to its 2009 implemented procedure of blacking out credit card numbers by securing a locked filing cabinet in which to keep paperwork which contains credit card information.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
May 31, 2009

CURRENT YEAR FINDINGS (CONTINUED)

09-04 Pledge Card Information

CONDITION

During our testwork, we noted that three out of the fifteen of the pledge cards reviewed and tested did not indicate the restrictions from the donor but were recorded as restricted contributions in the contribution software and general ledger. We also noted when some pledge amounts were revised and/or updated in the contribution software but no documentation of the change or updated pledge cards were received or completed.

CRITERIA

The Financial Accounting Standards Board, *Codification of Financial Accounting and Financial Reporting Standards (FASB)*, Section 958-605 provides accounting guidance on how to recognize, measure, and report contributions. In order to ensure contributions are recorded accurately, each transaction should be supported by and match the pledge card.

EFFECT

Without adequate pledge restriction documentation in the Lobo Club's records, restricted information may be based on incomplete, outdated and/or inaccurate information for the donor's current year intention.

CAUSE

The Lobo Club's current policy is if there is no indication of restrictions on the pledge card, the pledge is entered into contribution software to match pledges from the prior years, which may include restrictions.

RECOMMENDATION

We recommend that all pledge cards indicate the donor's current year designation and restrictions for the current year. Also, when pledge amounts or restrictions are changed by the donor documentation should be maintained for the change or receive an updated pledge card from the donor.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
May 31, 2009

CURRENT YEAR FINDINGS (CONTINUED)

09-04 Pledge Card Information (Continued)

MANAGEMENT RESPONSE

Vacancies in critical staff positions made it apparent to management that there is need for formal, written procedures for completion of pledge cards prior to their posting and filing. While this information is included in the instruction that is provided to new staff during training, adding this to the existent procedure manual will provide readily available answers to questions regarding the necessary information pledge cards need to contain.

09-05 Agency Account Reconciliation

CONDITION

During our testwork, we noted the UNM agency account in the Lobo Club accounting system and the same account in the UNM accounting system had not been reconciled during the year.

CRITERIA

Monitoring is a critical component of an effective internal control system. Monitoring is a process that assesses the quality of internal control performance over time. It involves assessing the design and operation of controls on a timely basis and taking necessary corrective actions. In order to accomplish that assessment, management must have the ability to produce and analyze accurate accounting reports and reconciliations on a timely basis.

EFFECT

Timely reconciliations and adjustments of the agency account will ensure meaningful and accurate financial statements and reduce the risk that errors of deposits or cash balances go undetected.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
May 31, 2009

CURRENT YEAR FINDINGS (CONTINUED)

09-05 Agency Account Reconciliation (Continued)

CAUSE

The process was not completed due to the vacancy of the Financial Coordinator position.

RECOMMENDATION

In order to make the financial reports generated by the accounting system as meaningful as possible, the Lobo Club should reconcile the general ledger accounts for balance sheet accounts to supporting documentation on a monthly basis.

MANAGEMENT RESPONSE

The recent vacancy of staff made it apparent to management that there is a need for more inclusive written procedures for the Lobo Club's Financial Coordinator position. While a core written job duties and procedures manual exists, a more detailed procedure manual will provide the proper reference material to insure each step of the process is performed as intended in the future.

UNM LOBO CLUB
(A Component Unit of The University of New Mexico)
EXIT CONFERENCE
May 31, 2009

We discussed the recommendations contained in this letter during the exit conference held October 8, 2009. The exit conference was attended by the following individuals:

UNM Lobo Club

Ryan Mummert, Vice President Finance
David Sabolcik, Executive Director

Moss Adams LLP

Jason Galloway, Manager

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