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

Financial Statements

June 30, 2011 and 2010

(With Independent Auditors' Report Thereon)

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

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

Official Roster

June 30, 2011

OFFICERS

Mr. Robert Robeda, President
Mr. Ryan Mummert, President-Elect
Mr. Bruce Beebe, Immediate Past President
Mr. Ben Darwin, Vice President
Mr. J.C. Lopez, Vice President
Ms. Anndee Wright Brown, Vice President
Ms. Susan Wilson, Vice President
Mr. Neal Piltch, Secretary

COMMITTEE CHAIRS

Mr. Ryan Mummert, Finance Chair – first half
Mr. Ben Darwin, Finance Chair – second half

EXECUTIVE DIRECTOR

Mr. David Sabolcik

DIRECTORS

Mr. Larry Abraham
Mr. Jason Anderson
Mr. Del Archuleta
Mr. Dale Armstrong
Mr. Kyle Beasley
Mr. Bruce Beebe
Mr. Noel Behne
Mr. RJ Berry
Ms. Margaret Branch
Mr. John Brooks
Ms. Andee Wright Brown
Mr. Norm Burns
Ms. Melanie Burns
Mr. Bill Cates
Mr. Adrian Chavez
Mr. Bob Cooper
Mr. Joe Cordova
Mr. Scott Creagan
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Mr. Pat Dee
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Mr. Chris Dunkeson
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Ms. Jill Guthmiller
Mr. Adam Harrington
Mr. Van Hartley
Mr. Scott Hoover
Mr. Scott Jones
Mr. Chris Lee
Mr. J. C Lopez
Mr. Bill Michael
Mr. Howard Miller
Ms. Yvonne Moise
Mr. Mark Moores
Ms. Lynn Mosher
Mr. Ryan Mummert
Mr. Gordon Noonan
Mr. John Perner
Mr. Neal Piltch
Mr. Robert Robeda
Mr. Nestor Romero
All Past Presidents

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

Official Roster

June 30, 2011

EX-OFFICIO DIRECTORS

Mr. Paul Krebs

HONORARY LIFETIME MEMBERS

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

KPMG LLP
Suite 700
Two Park Square
6565 Americas Parkway NE
PO Box 3990
Albuquerque, NM 87190

Independent Auditors' Report

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

We have audited the accompanying basic financial statements of the UNM Lobo Club (Lobo Club), a component unit of the University of New Mexico, as of and for the year ended June 30, 2011 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 audit. The basic financial statements of the Lobo Club as of and for the year ended June 30, 2010 were audited by other auditors whose report thereon dated October 14, 2010 expressed an unqualified opinion on those statements.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audit provides a reasonable basis for our opinion.

At June 30, 2011, the Lobo Club had not reconciled account balances and had not maintained customary records for accounts receivable, deferred income, special events revenue, and contributions revenue. It was not practicable to extend our auditing procedures sufficiently to satisfy ourselves as to the fairness of the balances stated at $205,787, $993,537 and $5,299,212, respectively, in the accompanying financial statements as of and for the year ended June 30, 2011. Such amounts enter into the determination of financial position, results of operations, and cash flows.

In our opinion, except for the effects on the 2011 financial statements of such adjustments, if any, as might have been determined to be necessary had we been able to apply adequate procedures to the accounts receivable, deferred income, special events revenue, and contributions revenue, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the UNM Lobo Club as of June 30, 2011, and the changes in its financial position and its cash flows for the year 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 17, 2011 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 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 5 through 8 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.

KPMG LLP

October 17, 2011

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 year ended June 30, 2011 and thirteen months ended June 30, 2010, and year ended May 31, 2009. Effective for the 2010 fiscal year, the Lobo Club changed its fiscal year end from May 31 to June 30. As a result, the information for 2010 includes thirteen months.

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 year ended June 30, 2011 and thirteen months ended June 30, 2010, and year ended May 31, 2009 are provided in the following table:

Condensed Balance Sheet Information

		2011	2010	2009
Current assets	$	4,276,279	4,531,012	5,107,589
Capital assets		198	393	2,091
Total assets	$	4,276,477	4,531,405	5,109,680
Current liabilities	$	4,127,472	4,339,302	4,193,729
Net assets:				
Invested in capital assets		198	393	2,091
Restricted expendable – McDavid Lounge and Zia Club		35,943	35,943	37,843
Unrestricted		112,864	155,767	876,017
Total net assets		149,005	192,103	915,951
Total liabilities and net assets	$	4,276,477	4,531,405	5,109,680

(Continued)

Condensed Summary of Revenues, Expenses, and Changes in Net Assets

		2011	2010	2009
Operating revenues:				
Grants, bequests and contributions	$	5,299,212	4,787,628	5,081,201
Special events and other		127,800	123,012	200,486
Total operating revenues		5,427,012	4,910,640	5,281,687
Operating expenses:				
General and administrative		381,186	366,029	287,488
Program expenses		5,134,811	5,322,259	5,738,413
Total operating expenses		5,515,997	5,688,288	6,025,901
Operating loss		(88,985)	(777,648)	(744,214)
Nonoperating revenue		45,887	53,800	100,079
Change in net assets		(43,098)	(723,848)	(644,135)
Net assets, beginning of year		192,103	915,951	1,560,086
Net assets, end of year	$	149,005	192,103	915,951

Condensed Balance Sheet

Assets

A majority of the June 30, 2011 and 2010 and May 31, 2009 assets are in the form of cash in the amount of $4,069,477, $4,385,722, and $4,835,390, respectively. As of June 30, 2011, $3,740,748 is on deposit with the University of New Mexico (UNM), $328,559 is in an operating bank account at First Community Bank (U.S. Bank), and $200 is maintained in the form of petty cash. As of June 30, 2010, $4,089,809 is on deposit with UNM, $295,413 is in an operating bank account at First State Bank, and $500 is maintained in the form of petty cash. As of May 31, 2009, $4,444,728 is on deposit with UNM, $390,162 is in an operating bank account at First State Bank, and $500 is maintained in the form of petty cash.

Accounts receivable at the 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, 2011, 2010 and 2009 were $205,787, $143,606, and $270,515, respectively. The changes from year to 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 year-end.

Liabilities

A majority of the liabilities are in the form of a payable due to UNM for unrestricted donations in the amount of $3,023,600, $3,132,615, and $3,383,043 as of June 30, 2011 and 2010 and May 31, 2009, respectively, and purpose-restricted donations of $0, $37,602, and $60,680 as of June 30, 2011 and 2010 and May 31, 2009, respectively. This is a contribution that is made from Lobo Club to the Athletic Department and is requested

(Continued)

from the Athletic Director before the year-end. The amount of the transfer is agreed to by the Board of Directors and has remained consistent over the years.

Net Assets

The net assets consist mostly of unrestricted assets totaling $112,864, $155,767, and $876,017 at June 30, 2011 and 2010 and May 31, 2009, respectively. The decreasing net asset balance over the last three years is due to net losses being recognized in all three years. The amount of net loss over the past three years has declined due to the decrease in program expenses, which include gift-in-kind donations. Gift-in-kind donations over the three years were $1,418,995 in fiscal year 2011, $1,523,097 in fiscal year 2010, and $1,506,428 in fiscal year 2009.

Summary of Revenues, Expenses, and Changes in Net Assets

Revenues

A majority of the June 30, 2011 revenues are operating revenues consisting of contributions in the amount of $5,299,212, including $2,930,723 of contributions and $1,481,995 of gift-in-kind contributions. Contribution revenues increased $515,585 from the prior year amount of $4,787,628. The increase is due primarily to a increase in men's basketball season tickets 1,850 tickets.

A majority of the June 30, 2010 revenues are operating revenues consisting of contributions in the amount of $4,787,628, including $3,375,904 of contributions and $1,523,097 of gift-in-kind contributions. Contribution revenues decreased $293,573 from the prior year amount of $5,081,201. The decrease is due to a decrease in combined football and men's basketball season tickets sales by 907 tickets.

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.

Expenses

Total expenses for fiscal year 2011 are composed of $381,186 in general and administrative expenses and $5,134,811 in program expenses. General and administrative expense increased $15,157 from the prior year amount of $356,621. This increase is due to slight changes in office expenses such as printing and office supplies. Program expenses decreased $187,448 from the prior year amount of $5,331,667. The decrease is due to less expense related to capital contribution efforts.

Total general and administrative expenses for fiscal year 2010 increased $78,541 over the prior year amount of $287,488 while program expenses decreased $416,154 over the prior year of $5,322,259. The slight increase in general and administrative expenses is due to increases in office supplies and necessities, such as printing. The decrease in program expenses is related to the decrease in grants, bequests, and contributions from fiscal year 2009 to fiscal year 2010. Program expenses are used to help facilitate contributions from the public.

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Change in Net Assets

Net assets decreased $43,098 to $149,005 at June 30, 2011 from $192,103 at June 30, 2010. The decrease is due to operating loss of $88,985 offset by interest income of $45,887. Net assets decreased $723,848 to $192,103 at June 30, 2010 from $915,951 at May 31, 2009. The decrease is due to operating loss of $777,648 offset by interest income of $53,800. Although an operating loss was presented for both June 30, 2011 and June 30, 2010, the Lobo Club had sufficient funds on hand to fulfill its obligations.

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 prorata 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 June 30, 2011 is $36,010 of which $35,812 has been depreciated resulting in a remaining asset value of $198. The Lobo Club's capital assets consist of office furniture and personal computers. The total asset value as of June 30, 2010 is $36,010, of which $35,617 has been depreciated resulting in a remaining asset value of $393. 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.

Long-Term Debt

The Lobo Club currently has no long-term debt.

Factors Impacting Future Periods and Subsequent Events

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

Subsequent to June 30, 2011, the UNM Athletic Department received a verbal pledge from a donor of approximately $2,500,000. This amount is scheduled to be paid over the next three years and will be received by the Lobo Club for the Athletic Department.

Contacting the Lobo Club's Financial Management

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

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

Balance Sheets

June 30, 2011 and 2010

Assets		**2011**	**2010**
Current assets:			
Cash and cash equivalents	$	4,069,477	4,385,722
Accounts receivable, net		205,787	143,606
Other current assets		1,015	1,684
Total current assets		4,276,279	4,531,012
Noncurrent assets:			
Capital assets, net:			
Equipment and furnishings		198	393
Total assets	$	4,276,477	4,531,405
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	$	110,335	47,550
Due to the University of New Mexico – unrestricted donations		3,023,600	3,132,615
Due to the University of New Mexico – restricted donations		—	37,602
Deferred income		993,537	1,121,535
Total current liabilities		4,127,472	4,339,302
Net assets:			
Invested in capital assets		198	393
Restricted expendable – McDavid Lounge and Zia Club		35,943	35,943
Unrestricted		112,864	155,767
Total net assets		149,005	192,103
Total liabilities and net assets	$	4,276,477	4,531,405

See accompanying 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

Year ended June 30, 2011 and thirteen months ended June 30, 2010

		2011	2010
Operating revenues:			
Grants, bequests, and contributions	$	5,299,212	4,787,628
Special events, net		101,796	86,247
Other operating revenues		26,004	36,765
Total operating revenues		5,427,012	4,910,640
Operating expenses:			
General and administrative		381,186	366,029
Program expense		5,134,811	5,322,259
Total operating expenses		5,515,997	5,688,288
Operating loss		(88,985)	(777,648)
Nonoperating revenue:			
Investment income		45,887	53,800
Change in net assets		(43,098)	(723,848)
Net assets, beginning of year		192,103	915,951
Net assets, end of year	$	149,005	192,103

See accompanying notes to financial statements.

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

Statements of Cash Flows

Year ended June 30, 2011 and thirteen months ended June 30, 2010

		2011	2010
Cash flows from operating activities:			
Receipts from members and others	$	3,740,010	3,928,266
Payments to the University of New Mexico		(3,116,693)	(3,458,658)
Payments to vendors		(985,449)	(973,076)
Net cash used in operating activities		(362,132)	(503,468)
Cash flows from investing activity:			
Investment income		45,887	53,800
Net decrease in cash and cash equivalents		(316,245)	(449,668)
Cash and cash equivalents, beginning of year		4,385,722	4,835,390
Cash and cash equivalents, end of year	$	4,069,477	4,385,722
Reconciliation of operating loss to net cash from operating activities:			
Operating loss	$	(88,985)	(777,648)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation expense		195	1,698
Changes in assets and liabilities:			
Accounts receivable		(62,181)	126,909
Other current assets		669	—
Accounts payable		62,785	21,935
Deferred income		(127,998)	397,144
Due to the University of New Mexico		(146,617)	(273,506)
Net cash used in operating activities	$	(362,132)	(503,468)

See accompanying notes to financial statements.

(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.

(2) Significant Accounting Policies

Effective for the 2010 fiscal year, the Lobo Club changed its fiscal year-end from May 31, to June 30. As a result, the information for 2010 includes thirteen months.

(a) Basis of Accounting and Presentation

The accompanying basic financial statements include only the accounts of the Lobo Club which has no component units.

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 Statement No. 14, *The Financial Reporting Entity*, the Lobo Club is a discretely presented component unit of UNM. The Lobo Club applies business-type activity 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.

Effective July 1, 2010, Lobo Club adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Contained in Pre-November 30, 1989 and AICPA Pronouncements*, which supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*. The GASB Statement No. 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The adoption of GASB Statement No. 62 had no impact on Lobo Club's accounting policies, as Lobo Club had previously elected in accordance with GASB Statement No. 20 to not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, and applicable FASB pronouncements issued on or before November 30, 1989 have now been incorporated into 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.

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(b) 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 and an agency account held by UNM.

(d) 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.

(e) 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 and are reclassified to unrestricted net assets when the purpose restriction has been met. Promises to give (pledges) are recorded at net realizable value. Deferred revenue represents revenue received for which applicable eligibility requirements have not been met.

(f) 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 year ended June 30, 2011 or thirteen months ended June 30, 2010.

(g) 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.

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Unrestricted Net Assets – consist or 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.

(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 the Lobo Club acts as an agent are transferred directly to the UNM Athletic Department and are reflected as operating revenues and expenses in the accompanying basic financial statements.

(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 June 30, 2011 and 2010 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 $3,000,000 and $3,100,000 to the UNM Athletic Department Program for the year ended June 30, 2011 and thirteen months ended June 30, 2010, 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.

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 June 30, 2011 and 2010, the Lobo Club has accrued $23,599 and $32,615, respectively, in Due to the University of New Mexico – unrestricted. As of June 30, 2011 and 2010, the Lobo Club has accrued $0 and $37,602, 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 year ended June 30, 2011 and thirteen months ended June 30,2010, 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 $1,481,995 and $1,523,097, 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.

(4) Receivables

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

		2011	2010
Promises to give (pledges)	$	288,145	238,069
Amounts due from individuals and corporations for special events		4,086	15,880
University of New Mexico Foundation (due to)		—	1,030
		292,231	254,979
Allowance for uncollectible pledges		(86,444)	(111,373)
Total	$	205,787	143,606

(5) Capital Assets

A summary of the Lobo Club’s capital assets at June 30, 2011 is as follows:

		Beginning of period	Increase	Decrease	End of period
Capital assets being depreciated – equipment and furnishings	$	36,010	—	—	36,010
Accumulated depreciation		(35,617)	(195)	—	(35,812)
Capital assets, net	$	393	(195)	—	198

A summary of the Lobo Club’s capital assets at June 30, 2010 is as follows:

		Beginning of period	Increase	Decrease	End of period
Capital assets being depreciated – equipment and furnishings	$	36,010	—	—	36,010
Accumulated depreciation		(33,919)	(1,698)	—	(35,617)
Capital assets, net	$	2,091	(1,698)	—	393

(Continued)

(6) Cash

The Lobo Club has $3,742,521 and $4,089,809 on deposit with UNM at June 30, 2011 and 2010, 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.

The Lobo Club had $360,298 and $626,709 on deposit with a local financial institution at June 30, 2011 and 2010, respectively. These balances were insured by the Federal Deposit Insurance Corporation up to $250,000 for 2011 and 2010, respectively. The uninsured amount at risk as of June 30, 2011 and 2010 was $110,298 and $376,709, respectively. The Lobo Club does not require collateral on its cash deposits.

A detail of the cash accounts at June 30, 2011 is included below:

Name of depository	Account name	Account type	Bank balance	Reconciling items	Reconciled balance
Petty cash	—	—	$ 200	—	200
US Bank	Operating	Cash	360,298	(31,769)	328,529
University of New Mexico	Agency account	Cash	3,742,521	(1,773)	3,740,748
			$ 4,103,019	(33,542)	4,069,477

A detail of the cash accounts at June 30, 2010 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	16,300	(331,296)	(314,996)
First Community Bank	Operating	Sweep	610,409	—	610,409
University of New Mexico	Agency account	Cash	4,087,274	2,535	4,089,809
			$ 4,714,483	(328,761)	4,385,722

(7) Related-Party Transactions

The Lobo Club received $176,067 and $216,973 in contributions from Board Members for the year ended June 30, 2011 and thirteen months ended June 30, 2010, respectively. In addition, the Lobo Club purchased goods and services of companies that Board Members are employed by in the amount of $29,512 and $9,460 for the year ended June 30, 2011 and thirteen months ended June 30, 2010, respectively.

(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.

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Independent Auditors' 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
Mr. Hector H. Balderas
New Mexico State Auditor:

We have audited the basic financial statements of the UNM Lobo Club (Lobo Club); a component unit of the University of New Mexico, as of and for the year ended June 30, 2011, and have issued our report thereon dated October 17, 2011, which contains a qualified opinion related to accounts receivable, deferred income, special events revenue, and contributions revenue balances. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, 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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2009-01, 2009-05, 2010-05, and 2011-01, to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2010-04 to be a significant deficiency in internal control over financial reporting.

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*.

We noted a matter that is required to be reported under Section 12-6-5 NMSA 1978 that is described in the accompanying schedule of findings and responses as finding 2011-02.

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 responses, and accordingly, we express no opinion on them.

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.

KPMG LLP

October 17, 2011

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

Schedule of Findings and Responses

June 30, 2011

Prior Year Findings

09-01	Financial Statements and General Ledger Closing Process	Revised and Repeated
09-02	General Ledger Access	Resolved
09-05	Agency Account Reconciliation	Revised and Repeated
10-01	Debit Card Process	Resolved
10-02	Contribution for the PIT Renovation	Resolved
10-03	Accounts Payable Recording and Payment Practices	Resolved
10-04	Restricted Contributions Payable Reconciliation	Revised and Repeated
10-05	Lack of Supporting Documentation	Revised and Repeated
10-06	Cash Receipting Process	Resolved

Current Year Findings

11-01 System Conversion

11-02 Capitalization Thresholds and Annual Inventory of Capital Assets

Current Year Findings

09-01 Financial Statements and General Ledger Closing Process – Material Weakness

Condition

The Lobo Club did not complete a thorough reconciliation of all year-end account balances to ensure that all balances were properly recorded in accordance with generally accepted accounting principles (GAAP). There were four material entries proposed by the auditors that should have been recorded during the year-end closing process. In addition, we noted that journal entries are not independently reviewed and approved by someone other than the preparer.

Criteria

Governmental Accounting Standards Board (GASB), *Codification of Governmental Accounting and Financial Reporting Standards*, Section 1100.114 requires governments to prepare appropriate financial statements and reports of financial position and operating results. Other pertinent information should be prepared to facilitate management control of financial operations, legislative oversight, and, where necessary or desired, for external reporting purposes.

Cause

There are not sufficient personnel to prepare and review all closing journal entries in a timely manner. In addition, we noted the Lobo Club's accounting policies and procedures manual was created years ago and some of the procedures are no longer being followed or have been superseded and that formal review and new processes have not been documented.

Effect

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

Recommendation

We recommend that Lobo Club ensure that all accounts are fully reconciled throughout the year; that all closing/adjusting entries be posted prior to the commencement of the audit; that all journal entries throughout the year including closing entries be independently reviewed and approved by someone other than the preparer and that evidence of this review be documented and maintained.

We further recommend that the Lobo Club update its accounting policies and procedures manual to ensure that policies and procedures exist, which require monthly and year-end reconciliations of all account balances to ensure that internal interim financial statements are consistently presented in accordance with GAAP.

Management's Response

The Lobo Club's Financial Coordinator will implement a written process for monthly and year-end account reconciliation and financial statement closing process. This will ensure that account discrepancies will be corrected throughout the year and account for all journal entries that need to be made monthly and prior to the annual audit. In addition, monthly journal entries will obtain written approval by the Associate Athletics Director for Development.

(Continued)

09-05 Agency Account Reconciliation – Material Weakness

Condition

The Lobo Club did not reconcile the nonendowed spending account and Banner account balance consistently during the year which resulted in one material audit adjustment in order to properly reconcile the cash and due to UNM account balances.

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 and due to/from UNM account will ensure meaningful and accurate financial statements and reduce the risk that errors in deposits or cash balances go undetected.

Cause

There are not sufficient personnel to prepare reconciliations in a timely manner.

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 (including Banner) on a monthly basis.

Management's Response

The Financial Coordinator for the Lobo Club did not transfer funds or perform monthly reconciliations on the Non-Endowed Spending account until April of 2011. Moving forward, the Financial Coordinator will combine the Non-Endowed Spending account reconciliations with the Agency Account reconciliations and perform monthly transfers of these revenues.

10-04 Restricted Contributions Payable Reconciliation – Significant Deficiency

Condition

Contributions received that were restricted for specific sports were recorded in both a revenue and expense account instead of immediately as a "due to" account and were not reconciled on a monthly basis.

Criteria

GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, Paragraph 5, In cases in which a recipient government serves only as a cash conduit, the grant should be reported in an agency fund. A recipient government serves only as a cash conduit if it merely transmits grantor-supplied moneys without having administrative or direct financial involvement in the program.

Effect

There is increased risk that revenues and expenses may be inflated and management and the Board of Directors may not be receiving accurate financial information.

Cause

There are not sufficient personnel to ensure all financial activity is recorded in accordance with GAAP.

Recommendation

The Lobo Club should reconcile the general ledger accounts for balance sheet and income statement accounts, including the restricted revenue and expenses, to ensure compliance with GASB Statement No. 24.

Management's Response

As of July 1, 2011 the restricted contributions for specific sports are posted to the appropriate liability account code and are reconciled on a monthly basis before the Financial Coordinator makes the Banner entry to transfer the funds to the Foundation.

10-05 Lack of Supporting Documentation – Material Weakness

Condition

We noted several instances where supporting documentation could not be provided for some of the transactions. This included transactions for accounts receivable and revenue.

Criteria

Orderly filing of documents should be maintained to insure proper control over all supporting documentation and invoices evidencing revenues, expenditures, etc.

Effect

There is increased risk that errors or fraud may go undetected.

Cause

There aren't sufficient personnel to ensure all transactions have consistent supporting documentation maintained in the files.

Recommendation

The Lobo Club needs to implement procedures to ensure consistency in supporting documents as well as filing and storage procedures.

Management's Response

The Lobo Club Financial Coordinator will ensure all supporting documentation is well maintained in a consistent manner and organized in files and stored in a secure location. To avoid future exceptions, the Donor Services Coordinator will be more vigilant in obtaining hard copies of all contracts that designate moneys to be given to the Lobo Club and updating that file throughout the year. The Donor Services Coordinator will also ensure that the Pit Suites contracts are received and filed at the time of purchase and entry into the Titan system.

(Continued)

11-01 System Conversion – Material Weakness

Condition

During fiscal year 2011, Lobo Club converted its donor contributions system from ContribTrak to Titan. No evidence of a reconciliation of the activity transferred from ContribTrak to Titan to ensure completeness, and accuracy was performed at the conversion date.

In addition, the data from ContribTrak/Titan was not reconciled on a monthly basis to the general ledger.

Criteria

Timely reconciliation of system conversion data and monthly data in Titan ensures data included in both Titan and the general ledger is complete and accurate.

Effect

There is a high likelihood that amounts recorded in the Titan system contain material errors which impact accounts receivable, deferred income and contribution revenue in both the Titan and general ledger accounts and the financial statements as of and for the year ended June 30, 2011.

Cause

There is a lack of sufficient personnel to reconcile both system conversion data as well as monthly Titan/general ledger reconciliations.

Recommendation

We recommend that Lobo Club fully reconcile the data converted from ContribTrak to Titan and adjust Titan as necessary.

We further recommend that a monthly reconciliation of donor data included in Titan be reconciled to the balances for accounts receivable, deferred income, and revenue included in the general ledger and that adjustment to these two systems be recorded.

Management's Response

The Lobo Club intends to reconcile the data in the new software system and implement internal controls to account for any changes that are made in the Titan system i.e. write-offs, pledge amounts, and GIK amounts. The Financial Coordinator will also balance the monthly deposits made in Titan to what was entered into the financial statements to ensure accuracy in both systems.

(Continued)

11-02 Capitalization Thresholds and Annual Inventory of Capital Assets – Other

Condition

Lobo Club has a capitalization policy to capitalize all disbursements for equipment and furnishing in excess of $500. In addition, there is not an annual inventory performed of capital assets.

Criteria

New Mexico State Audit Rule 2011, Section 2.2.2.10 Y, *Capital Asset Inventory*, requires agencies to capitalize only chattels and equipment that cost over $5,000. All agencies are required to update their capitalization policy and implement it in accordance with the law. Regarding safeguarding and management of assets that do not meet the capitalization threshold, the State Auditor encourages agencies to maintain a separate accountability report for those items that cost $5,000 or less.

In addition, Section 12-6-10(A) NMSA 1978 requires each agency to conduct an annual physical inventory of movable chattels and equipment on the inventory list at the end of each fiscal year. The agency shall certify the correctness of the inventory after the physical inventory. This certification should be provided to the agency's auditors.

Effect

The Lobo Club is not in compliance with the New Mexico State Audit Rule.

Cause

There is a lack of sufficient personnel to ensure compliance with all laws and regulations.

Recommendation

The Lobo Club should implement procedures to conduct annual inventory over capital assets as well as modify their capitalization threshold policy to be in line with the New Mexico State Audit Rule.

Management's Response

The Lobo Club will follow the UNM capitalization policy and not capitalize anything under $5,000 and will conduct a year-end inventory on June 30. This policy change has been approved by the Finance committee of the Lobo Club.

UNM LOBO CLUB

(A Component Unit of the University of New Mexico)

Exit Conference

June 30, 2011

We discussed the recommendations contained in this report during the exit conference held October 17, 2011. The exit conference was attended by the following individuals:

UNM Lobo Club

Ben Darwin, Treasurer
Lee De Leon, Executive Director
Valerie Arbogast, Financial Coordinator

KPMG LLP

John T. Kennedy, Partner
Suzette Longfellow, Senior Manager

The Lobo Club is responsible for the contents of the financial statements. KPMG LLP assisted with the preparation of the financial statements.