



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

Financial Statements

June 30, 2012

(With Independent Auditors' Reports Thereon)

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

**Table of Contents**

	<b>Page</b>
Official Roster	1
Independent Auditors' Report	3
Management's Discussion and Analysis	5
Financial Statements:	
Balance Sheet	9
Statement of Revenues, Expenses, and Changes in Net Assets	10
Statement of Cash Flows	11
Notes to Financial Statements	12
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 <i>Government Auditing Standards</i>	16
Schedule of Findings and Responses	18
Exit Conference	20

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

Official Roster

June 30, 2012

**OFFICERS**

Mr. Ryan Mummert, President  
Mr. Ben Darwin, President-Elect  
Mr. Bob Robeda, Past President  
Mr. Adam Harrington, Vice President  
Mr. Bill Michael, Vice President  
Ms. Anndee Wright Brown, Vice President  
Ms. Susan Wilson, Vice President  
Mr. Neal Piltch, Secretary

**COMMITTEE CHAIRS**

Mr. Adam Harrington, Finance Chair

**EXECUTIVE DIRECTOR**

Mr. Lee DeLeon

**DIRECTORS**

Mr. Del Archuleta	Ms. Wanda Easley-Small	Mr. Mark Moores
Mr. Dale Armstrong	Ms. Lisa Eden	Ms. Lynn Mosher
Mr. Kyle Beasley	Mr. John Ellis	Mr. Gordon Noonan
Mr. Bruce Beebe	Mr. Scott Gates	Mr. Kevin O'Hea
Mr. Noel Behne	Mr. Leland Gould	Mr. Adrian Perez
Mr. RJ Berry	Mr. Tim Hagaman	Mr. Neal Piltch
Ms. Margaret Branch	Mr. Adam Harrington	Mr. Robert Robeda
Ms. Andee Wright Brown	Mr. Van Hartley	Mr. John Sanchez
Ms. Melanie Burns	Mr. Scott Hoover	Mr. Rod Shoemaker
Mr. Norm Burns	Mr. Scott Jones	Mr. Rick Siegel
Mr. Chris Cates	Mr. Albert Jiron	Mr. James Silva
Mr. Adrian Chavez	Ms. Jill Klar	Mr. David Smoak
Mr. Joe Cordova	Mr. J. C Lopez	Mr. Jerry Smith
Mr. Pat Dee	Mr. Bill Michael	Ms. Tammy Grady-Thornton
Ms. Annette DiLorenzo-Thayer	Mr. Howard Miller	Mr. Jeremy Utash
Mr. Don Duke	Ms. Yvonne Moise	Mr. Rick Wadley
Mr. Chris Dunkeson	Mr. Fred Montoya	Ms. Susan Wilson
		All Past Presidents

**UNM LOBO CLUB**

(A Component Unit of the University of New Mexico)

Official Roster

June 30, 2012

**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, 2012 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.

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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the UNM Lobo Club as of June 30, 2012, 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, 2012 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.



U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 5 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG LLP

October 17, 2012

**UNM LOBO CLUB**  
(A Component Unit of the University of New Mexico)  
Management's Discussion and Analysis (Unaudited)  
June 30, 2012

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, 2012.

**Overview of the Basic Financial Statements**

The Balance Sheet of the Lobo Club provides both long-term and short-term information about the Lobo Club's overall financial position. The Statement of Revenues, Expenses, and Changes in Net Assets provides information about the operating revenues and expenses and the nonoperating revenues of the Lobo Club. The Statement of Cash Flows provides 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 June 30, 2012 and 2011 are provided in the following table:

*Condensed Balance Sheet Information*

	<u>2012</u>	<u>2011</u>
Current assets	\$ 3,466,675	4,276,279
Capital assets	—	198
Total assets	<u>\$ 3,466,675</u>	<u>4,276,477</u>
Current liabilities	\$ 3,342,977	4,127,472
Net assets:		
Invested in capital assets	—	198
Restricted expendable – McDavid Lounge and Zia Club	35,943	35,943
Unrestricted	<u>87,755</u>	<u>112,864</u>
Total net assets	<u>123,698</u>	<u>149,005</u>
Total liabilities and net assets	<u>\$ 3,466,675</u>	<u>4,276,477</u>

**UNM LOBO CLUB**  
(A Component Unit of the University of New Mexico)  
Management's Discussion and Analysis (Unaudited)  
June 30, 2012

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

	<b>2012</b>	<b>2011</b>
Operating revenues:		
Grants, bequests, and contributions	\$ 4,669,314	5,299,212
Special events, net and other	148,494	127,800
Total operating revenues	4,817,808	5,427,012
Operating expenses:		
General and administrative	415,263	381,186
Program expenses	4,441,754	5,134,811
Total operating expenses	4,857,017	5,515,997
Operating loss	(39,209)	(88,985)
Nonoperating revenue	13,902	45,887
Change in net assets	(25,307)	(43,098)
Net assets, beginning of year	149,005	192,103
Net assets, end of year	\$ 123,698	149,005

**Condensed Balance Sheet**

***Assets***

A majority of the June 30, 2012 and 2011 assets are in the form of cash in the amount of \$3,329,162 and \$4,069,477, respectively. As of June 30, 2012, \$2,844,127 is on deposit with the University of New Mexico (UNM), \$78,731 is on deposit with the University of New Mexico Foundation (UNMF), \$406,104 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, 2011, \$3,740,748 is on deposit with the UNM, \$328,559 is in an operating bank account at U.S. Bank, and \$200 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, 2012 and 2011 were \$128,358 and \$205,787, 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 \$2,705,826 and \$3,023,600 as of June 30, 2012 and 2011, respectively. This is a contribution that is made from Lobo Club to the Athletic Department and is requested 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.



**UNM LOBO CLUB**  
(A Component Unit of the University of New Mexico)  
Management's Discussion and Analysis (Unaudited)  
June 30, 2012

***Net Assets***

The net assets consist mostly of unrestricted assets totaling \$87,755 and \$112,864 at June 30, 2012 and 2011, respectively. The decreasing net asset balance over the last year is due to a net loss being recognized. The amount of net loss over the past year has declined due to the decrease in program expenses.

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

***Revenues***

A majority of the June 30, 2012 revenues are operating revenues consisting of contributions in the amount of \$4,669,314, including \$2,775,486 of contributions and \$1,893,828 of gift-in-kind contributions. Contribution revenues decreased \$629,898 from the prior year amount of \$5,299,212. The decrease is primarily due to a decrease in Lobo Football season tickets.

***Expenses***

Total expenses for fiscal year 2012 are composed of \$415,263 in general and administrative expenses and \$4,441,754 in program expenses. General and administrative expense increased \$34,077 from the prior year amount of \$381,186. This increase is due to the credit card processing fees as Lobo Club now accepts credit card donations and incurs related expenses. Program expenses decreased \$693,057 from the prior year amount of \$5,134,811. The decrease is due to less expense related to capital contribution efforts.

***Change in Net Assets***

Net assets decreased \$25,307 to \$123,698 at June 30, 2012 from \$149,005 at June 30, 2011. The decrease is due to operating loss of \$39,209 offset by interest income of \$13,902. Although an operating loss was presented for June 30, 2012, 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 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 has no capital assets at June 30, 2012.

***Long-Term Debt***

The Lobo Club has no long-term debt at June 30, 2012.

**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.

**UNM LOBO CLUB**  
(A Component Unit of the University of New Mexico)  
Management's Discussion and Analysis (Unaudited)  
June 30, 2012

**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 Sheet

June 30, 2012

**Assets**

Current assets:

Cash and cash equivalents	\$ 3,329,162
Accounts receivable, net	128,358
Other current assets	<u>9,155</u>
Total assets	<u>\$ 3,466,675</u>

**Liabilities and Net Assets**

Current liabilities:

Accounts payable	\$ 3,551
Due to the University of New Mexico – unrestricted donations	2,705,826
Deferred revenue	<u>633,600</u>
Total liabilities	<u>3,342,977</u>

Net assets:

Restricted expendable – McDavid Lounge and Zia Club	35,943
Unrestricted	<u>87,755</u>
Total net assets	<u>123,698</u>
Total liabilities and net assets	<u>\$ 3,466,675</u>

See accompanying notes to financial statements.

**UNM LOBO CLUB**  
(A Component Unit of the University of New Mexico)  
Statement of Revenues, Expenses, and Changes in Net Assets  
Year ended June 30, 2012

Operating revenues:		
Grants, bequests, and contributions	\$	4,669,314
Special events, net		109,629
Other operating revenues		38,865
Total operating revenues		<u>4,817,808</u>
Operating expenses:		
General and administrative		415,263
Program expense		4,441,754
Total operating expenses		<u>4,857,017</u>
Operating loss		(39,209)
Nonoperating revenue:		
Investment income		<u>13,902</u>
Change in net assets		(25,307)
Net assets, beginning of year		<u>149,005</u>
Net assets, end of year	\$	<u><u>123,698</u></u>

See accompanying notes to financial statements.

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

Statement of Cash Flows

Year ended June 30, 2012

Cash flows from operating activities:	
Receipts from members and others	\$ 2,788,723
Payments to the University of New Mexico	(3,111,794)
Payments to vendors	(431,146)
	(754,217)
Cash flows from investing activity:	
Investment income	13,902
	(740,315)
Cash and cash equivalents, beginning of year	4,069,477
Cash and cash equivalents, end of year	\$ 3,329,162
Reconciliation of operating loss to net cash from operating activities:	
Operating loss	\$ (39,209)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Loss on disposal of equipment	198
Changes in assets and liabilities:	
Accounts receivable	77,429
Other current assets	(8,140)
Accounts payable	(106,784)
Deferred revenue	(359,937)
Due to the University of New Mexico	(317,774)
	(754,217)
Net cash used in operating activities	\$ (754,217)

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2012

**(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**

**(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.

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.

**(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, an agency account held by UNM, and two agency accounts held by University of New Mexico Foundation.

**(d) Capital Assets**

The Lobo Club's policy is to capitalize all disbursements for equipment and furnishings in excess of \$5,000. Items with a cost of less than \$5,000 are expensed in the year of acquisition. 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.

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

Notes to Financial Statements

June 30, 2012

Depreciation is provided for on furniture, fixtures, and equipment using the straight-line basis over estimated useful lives of five to ten years. The Lobo Club had no capital assets at June 30, 2012.

**(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 net of an allowance for uncollectible pledges. Lobo Club's policy is to establish an allowance for uncollectible pledges using historical experience (40% at June 30, 2012). 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, 2012.

**(g) Net Assets**

*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.

*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.

**(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. All gifts in kind 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

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

Notes to Financial Statements

June 30, 2012

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. 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 staff, office facilities at the UNM Athletic Complex, equipment, and certain other support at no charge. Revenues and expenses have not been recorded in the accompanying basic financial statements for this staff, office space, equipment, or other support services.

The Lobo Club authorized final cash contributions for unrestricted donations of \$2,700,000 to the UNM Athletic Department Program for the year ended June 30, 2012. This contribution is included in the amounts reported as Due to the University of New Mexico in the balance sheet and reflected as a program expense in the statement 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, 2012, the Lobo Club has accrued \$5,826 in Due to the University of New Mexico – unrestricted.

During the year ended June 30, 2012, 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 \$1,893,828 and \$1,481,995 and were primarily for the benefit of the UNM Athletic Department. These gifts in kind are included in grants, bequests, and contribution revenue, and program, general and administrative and special events expense in the accompanying basic financial statements because 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:

		<u>2012</u>
Promises to give (pledges)	\$	209,830
Amounts due from individuals and corporations for special events		<u>2,460</u>
		212,290
Allowance for uncollectible pledges		<u>(83,932)</u>
Total	\$	<u><u>128,358</u></u>

**(5) Cash**

The Lobo Club has \$2,844,127 on deposit with UNM at June 30, 2012. 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.



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

Notes to Financial Statements

June 30, 2012

***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 \$450,707 on deposit with a local financial institution at June 30, 2012. This balance was insured by the Federal Deposit Insurance Corporation up to \$250,000. The uninsured amount at risk as of June 30, 2012 was \$200,707. The Lobo Club does not require collateral on its cash deposits.

A detail of the cash accounts at June 30, 2012 is included below:

Name	Account name	Account type	Bank balance	Reconciling items	Reconciled balance
Petty cash	—	—	\$ 200	—	200
U.S. Bank	Operating	Cash	450,707	(44,603)	406,104
University of New Mexico	Agency account	Cash	2,844,127	—	2,844,127
UNM Foundation	Unrestricted	Cash	39,027	—	39,027
UNM Foundation	Restricted	Cash	39,704	—	39,704
			<u>\$ 3,373,765</u>	<u>(44,603)</u>	<u>3,329,162</u>

**(6) Related-Party Transactions**

The Lobo Club received \$127,199 in contributions from Board Members for the year ended June 30, 2012. The Lobo Club did not purchase goods and services of companies that Board Members are employed by during the year ended June 30, 2012.

**(7) 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.



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

**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, 2012, and have issued our report thereon dated October 17, 2012. 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**

Management of the Lobo Club is responsible for establishing and maintaining effective 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.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**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 certain matters that are required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of findings and responses as item 12-01.

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, 2012

**UNM LOBO CLUB**  
(A Component Unit of the University of New Mexico)  
Schedule of Findings and Responses  
June 30, 2012

**Prior Year Findings**

09-01	Financial Statements and General Ledger Closing Process	Resolved
09-05	Agency Account Reconciliation	Resolved
10-04	Restricted Contributions Payable Reconciliation	Resolved
10-05	Lack of Supporting Documentation	Resolved
11-01	System Conversion	Resolved
11-02	Capitalization Thresholds and Annual Inventory of Capital Assets	Resolved

**Current Year Findings**

12-01	Expense Approval Process	
-------	--------------------------	--

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

Schedule of Findings and Responses

June 30, 2012

**12-01 Expense Approval Process – Control Deficiency**

***Condition***

We noted four instances where the Lobo Club did not follow its operating procedure for preapproval of credit card transactions above \$500 and one instance where dual approval of a gift-in-kind transaction was not obtained.

***Criteria***

Preapproval of credit card transactions above \$500 and all gift-in-kind transactions.

***Effect***

There is increased risk that unauthorized expenses are incurred or gift-in-kind benefits that do not have value to the Lobo Club are provided to donors.

***Cause***

Operating procedures are not being consistently applied to ensure all expenses and gift-in-kind transaction are preapproved.

***Recommendation***

The Lobo Club should continue to follow its operating procedure for preapproval of credit card transactions and dual approval of gift-in-kind transactions. In addition, the Lobo Club should consider utilization of a checklist or an independent secondary review of the respective transactions to ensure all required approvals have been obtained and evidence of approvals is maintained in the files.

***Management's Response***

The finance committee of the Lobo Club will be meeting to discuss the operating procedure for pre-approvals and a limit and/or type of expense that would require pre-approval. The process for obtaining and approving gift-in-kind has been addressed with staff and there are several controls in place that will eliminate the issue of having forms without dual approval.

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

Exit Conference

June 30, 2012

We discussed the recommendations contained in this report during the exit conference held on September 24, 2012. The exit conference was attended by the following individuals:

**UNM Lobo Club**

Anndee Wright Brown, Finance Committee Chair  
Pat Dee, Finance Committee Member  
Rick Siegel, Finance Committee Member  
Jimmy Trujillo, Finance Committee Member  
Wanda Easley-Small, Finance Committee Member  
Lee DeLeon, Executive Director  
Valerie Arbogast, Financial Coordinator  
Joseph Wrobel, UNM Controller's Office, Fiscal Supervisor

**KPMG LLP**

Cynthia Reinhart, Partner  
Pepper Piper, Senior Associate

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