



UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
Financial Statements
June 30, 2013 and 2012
(With Independent Auditors' Reports 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, 2013

OFFICERS

Mr. Ben Darwin, President
Ms. Anndee Wright Brown, President-Elect
Mr. Ryan Mummert, Past President
Mr. Pat Dee, Vice President
Mr. Scott Gates, Vice President
Mr. Scott Hoover, Vice President
Mr. Chris Cates, Vice President
Mr. David Smoak, Secretary

COMMITTEE CHAIR

Ms. Anndee Wright Brown, Finance Chair

EXECUTIVE DIRECTOR

Mr. Lee DeLeon

DIRECTORS

Mr. Del Archuleta	Mr. John Drury	Ms. Robin Miller
Mr. Dale Armstrong	Mr. Don Duke	Mr. Fred Montoya
Mr. Kyle Beasley	Ms. Wanda Easley-Small	Mr. Gordon Noonan
Mr. Noel Behne	Mr. John Ellis	Mr. Kevin O'Hea
Mr. RJ Berry	Mr. Scott Gates	Mr. Adrian Perez
Ms. Margaret Branch	Mr. Doug Gullino	Mr. Neal Piltch
Mr. George Brooks	Mr. Tim Hagaman	Mr. Pat Sanchez
Ms. Andee Wright Brown	Mr. Adam Harrington	Mr. Rick Siegel
Ms. Melanie Burns	Mr. Scott Hoover	Mr. David Smoak
Mr. Norm Burns	Mr. Brandon Jakino	Mr. Jerry Smith
Mr. Wryan Capps	Mr. Bart Kinney	Ms. Tammy Grady Thornton
Mr. Chris Cates	Ms. Linda Krumland	Mr. Scott Throckmorton
Mr. Adrian Chavez	Mr. Erik Lohmeier	Mr. Jimmy Trujillo
Mr. Pat Dee	Mr. Antonio Lopez	Mr. Jeremy Utash
Mr. Dale Dekker	Mr. J. C Lopez	Mr. Rick Wadley
Ms. Annette DiLorenzo-Thayer	Mr. Bill Michael	Ms. Susan Wilson
		All Past Presidents

UNM LOBO CLUB

(A Component Unit of the University of New Mexico)

Official Roster

June 30, 2013

EX-OFFICIO DIRECTOR

Mr. Paul Krebs

HONORARY LIFETIME MEMBERS

Mr. John Brooks Ms. Lynn Mosher

Ms. Yvonne Moise Mr. Rod Shoemaker



KPMG LLP
Two Park Square, Suite 700
6565 Americas Parkway, N.E.
Albuquerque, NM 87110-8179

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of UNM Lobo Club (Lobo Club), a component unit of the University of New Mexico, which comprise the balance sheets as of June 30, 2013 and 2012, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the UNM Lobo Club as of June 30, 2013 and 2012, and the changes in its net position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2013 on our consideration of Lobo Club’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lobo Club’s internal control over financial reporting and compliance.

KPMG LLP

Albuquerque, New Mexico
October 18, 2013

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
Management's Discussion and Analysis (Unaudited)
June 30, 2013 and 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 years ended June 30, 2013 and 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 position provides information about the operating revenues and expenses and the nonoperating revenues and expenses 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, 2013, 2012, and 2011 are provided in the following table:

Condensed Balance Sheet Information

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Current assets	\$ 3,659,870	3,466,675	4,276,279
Capital assets	—	—	198
Total assets	<u>\$ 3,659,870</u>	<u>3,466,675</u>	<u>4,276,477</u>
Current liabilities	\$ 3,554,502	3,342,977	4,127,472
Net position:			
Invested in capital assets	—	—	198
Restricted expendable – McDavid Lounge and Zia Club	35,943	35,943	35,943
Unrestricted	69,425	87,755	112,864
Total net position	<u>105,368</u>	<u>123,698</u>	<u>149,005</u>
Total liabilities and net position	<u>\$ 3,659,870</u>	<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, 2013 and 2012

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating revenues:			
Grants, bequests, and contributions	\$ 5,417,126	4,669,314	5,299,212
Special events, net and other	185,194	148,494	127,800
Total operating revenues	<u>5,602,320</u>	<u>4,817,808</u>	<u>5,427,012</u>
Operating expenses:			
General and administrative	313,641	415,263	381,186
Program expenses	5,305,402	4,441,754	5,134,811
Total operating expenses	<u>5,619,043</u>	<u>4,857,017</u>	<u>5,515,997</u>
Operating loss	(16,723)	(39,209)	(88,985)
Nonoperating (expense) revenue	<u>(1,607)</u>	<u>13,902</u>	<u>45,887</u>
Change in net position	(18,330)	(25,307)	(43,098)
Net position, beginning of year	<u>123,698</u>	<u>149,005</u>	<u>192,103</u>
Net position, end of year	<u>\$ 105,368</u>	<u>123,698</u>	<u>149,005</u>

Condensed Balance Sheet

Assets

A majority of the June 30, 2013, 2012, and 2011 assets are in the form of cash in the amount of \$3,605,589, \$3,329,162, and \$4,069,477, respectively. As of June 30, 2013, \$3,475,040 was on deposit with the University of New Mexico (UNM), \$91,556 was on deposit with the University of New Mexico Foundation (UNMF), \$38,793 was in an operating bank account at First Community Bank (U.S. Bank), and \$200 was maintained in the form of petty cash. As of June 30, 2012, \$2,844,127 was on deposit with the University of New Mexico (UNM), \$78,731 was on deposit with the University of New Mexico Foundation (UNMF), \$406,104 was in an operating bank account at First Community Bank (U.S. Bank), and \$200 was maintained in the form of petty cash. As of June 30, 2011, \$3,740,748 was on deposit with the University of New Mexico (UNM), \$328,559 was in an operating bank account at First Community Bank (U.S. Bank), and \$200 was 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, 2013, 2012, and 2011 were \$53,831, \$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. The decrease in accounts receivable is primarily the result of focused collection efforts implemented during fiscal year 2013 whereby management assigned each staff member a list of donors to call and collect in February and March.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
Management's Discussion and Analysis (Unaudited)
June 30, 2013 and 2012

Liabilities

A majority of the liabilities are in the form of a payable due to UNM for unrestricted donations in the amount of \$2,752,527, \$2,705,826, and \$3,023,600 as of June 30, 2013, 2012, and 2011, respectively. This was a contribution that was made from Lobo Club to the Athletic Department and was requested from the Athletic Director before the year-end. The amount of the transfer was agreed to by the board of directors and has remained consistent over the years.

The majority of the liabilities not related to the payable due to UNM are in the form of deferred revenue in the amount of \$758,103, \$633,600, and \$993,537 as of June 30, 2013, 2012, and 2011, respectively. This represents amounts received for which applicable revenue eligibility requirements have not yet been met. The increase of \$124,503 from June 30, 2013 to June 30, 2012 is the result of donors paying their pledge during the Ambassador Program (Membership Drive). Our volunteers are encouraged to collect the pledge at the time of solicitation and many of our donors are choosing to set up monthly payments at the time of their pledge, while the decrease of \$359,937 from June 30, 2012 to June 30, 2011 is the result of the April–June 2012 Ambassador Program falling short of the pledge goal for that year due to changes in staff and the program that was not well received.

Net Position

The net position consists mostly of unrestricted assets totaling \$69,425, \$87,755, and \$112,864 at June 30, 2013, 2012, and 2011, respectively. The decreasing net position 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 general and administrative expenses as a result of better oversight of the entire budget and reduction of credit card fees from the previous year.

Summary of Revenues, Expenses, and Changes in Net Position

Revenues

A majority of the June 30, 2013 revenues are operating revenues consisting of contributions in the amount of \$5,417,126, including \$2,633,164 of gift-in-kind contributions. Contribution revenues increased \$747,812 from the prior year amount of \$4,669,314. The increase is primarily due to greater use of gift-in-kind donations by coaches and staff.

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

Expenses

Total expenses for fiscal year 2013 are composed of \$313,641 in general and administrative expenses and \$5,305,402 in program expenses. General and administrative expense decreased \$101,622 from the prior year amount of \$415,263. This decrease primarily is due to lower credit card processing fees. Program expenses increased \$863,648 from the prior year amount of \$4,441,754. The increase is due to greater use of gift-in-kind donations by coaches and staff as mentioned in the revenue summary.

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Management's Discussion and Analysis (Unaudited)
June 30, 2013 and 2012

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 Position

Net position decreased \$18,330 to \$105,368 at June 30, 2013 from \$123,698 at June 30, 2012. The decrease is due to operating loss of \$16,723 and an investment loss of \$1,607. Net position decreased \$25,307 to \$123,698 at June 30, 2012 from \$149,005 at June 20, 2011. The decrease is due to the increased contribution to the Athletics Scholarship Fund, per approval by the Finance Committee (\$50,000 increase from 2012 to 2013). Although an operating loss was presented for June 30, 2013 and 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 position 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, 2013 and 2012.

Long-Term Debt

The Lobo Club has no long-term debt at June 30, 2013 and 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.

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, 2013 and 2012

Assets	2013	2012
Current assets:		
Cash and cash equivalents	\$ 3,605,589	3,329,162
Accounts receivable, net	53,831	128,358
Other current assets	450	9,155
Total assets	\$ 3,659,870	3,466,675
Liabilities and Net Position		
Current liabilities:		
Accounts payable	\$ 43,872	3,551
Due to the University of New Mexico – unrestricted donations	2,752,527	2,705,826
Deferred revenue	758,103	633,600
Total liabilities	3,554,502	3,342,977
Net position:		
Restricted expendable – McDavid Lounge and Zia Club	35,943	35,943
Unrestricted	69,425	87,755
Total net position	105,368	123,698
Total liabilities and net position	\$ 3,659,870	3,466,675

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 Position
Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Grants, bequests, and contributions	\$ 5,417,126	4,669,314
Special events, net	164,457	109,629
Other operating revenues	<u>20,737</u>	<u>38,865</u>
Total operating revenues	<u>5,602,320</u>	<u>4,817,808</u>
Operating expenses:		
General and administrative	313,641	415,263
Program expense	<u>5,305,402</u>	<u>4,441,754</u>
Total operating expenses	<u>5,619,043</u>	<u>4,857,017</u>
Operating loss	(16,723)	(39,209)
Nonoperating revenue:		
Investment (loss) income	<u>(1,607)</u>	<u>13,902</u>
Change in net position	(18,330)	(25,307)
Net position, beginning of year	<u>123,698</u>	<u>149,005</u>
Net position, end of year	<u>\$ 105,368</u>	<u>123,698</u>

See accompanying notes to financial statements.

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

Statements of Cash Flows

Years ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Receipts from members and others	\$ 3,284,963	2,788,723
Payments to the University of New Mexico	(2,778,281)	(3,111,794)
Payments to vendors	(228,648)	(431,146)
Net cash provided by (used in) operating activities	278,034	(754,217)
Cash flows from investing activity:		
Investment income	(1,607)	13,902
Net increase (decrease) in cash and cash equivalents	276,427	(740,315)
Cash and cash equivalents, beginning of year	3,329,162	4,069,477
Cash and cash equivalents, end of year	\$ 3,605,589	3,329,162
Reconciliation of operating loss to net cash from operating activities:		
Operating loss	\$ (16,723)	(39,209)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Loss on disposal of equipment	—	198
Changes in assets and liabilities:		
Accounts receivable	74,527	77,429
Other current assets	8,705	(8,140)
Accounts payable	40,321	(106,784)
Deferred revenue	124,503	(359,937)
Due to the University of New Mexico	46,701	(317,774)
Net cash provided by (used in) operating activities	\$ 278,034	(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, 2013 and 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. 61, *The Financial Reporting Entity: Omnibus*, the Lobo Club is a 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.

In fiscal year 2013, the Lobo Club adopted GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63), which establishes a new statement of net position format that reports separately all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires deferred outflows of resources and deferred inflows of resources to be reported separately from assets and liabilities. The financial reporting impact resulting from the implementation of GASB 63 in the Lobo Club's financial statements was the renaming of "Net Assets" to "Net Position," including changing the name of the financial statement from "Statement of Net Assets" to Statement of Net Position."

(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.

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

Notes to Financial Statements

June 30, 2013 and 2012

(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. 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, 2013 and 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 position and are reclassified to unrestricted net position when the purpose restriction has been met. Promises to give (pledges) are recorded net of an allowance for uncollectible pledges. Lobo Club's policy is to establish an allowance for uncollectible pledges using historical experience (45% at June 30, 2013 and 40% at June 30, 2012). Deferred revenue represents amounts received for which applicable revenue 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 years ended June 30, 2013 and 2012.

(g) ***Net Position***

Restricted Net Position – 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 position 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 Position – 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.

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

Notes to Financial Statements

June 30, 2013 and 2012

(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 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 \$2,750,000 and \$2,700,000 to the UNM Athletic Department Program for the years ended June 30, 2013 and 2012, respectively. These contributions are 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 position.

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, 2013 and 2012, the Lobo Club has accrued \$2,527 and \$5,826, respectively, in Due to the University of New Mexico – unrestricted.

During the years ended June 30, 2013 and 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 \$2,633,164 and \$1,893,828, respectively, and were primarily for the benefit of the UNM Athletic Department. These gifts in kind are included in grants, bequests, and contribution revenue, and program, general and administrative and special events expense in the accompanying basic financial statements because the Lobo Club provides membership benefits to the contributors in return for the in-kind gifts.

UNM LOBO CLUB
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Notes to Financial Statements

June 30, 2013 and 2012

(4) Receivables

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

	2013	2012
Promises to give (pledges)	\$ 97,864	209,830
Amounts due from individuals and corporations for special events	750	2,460
	98,614	212,290
Allowance for uncollectible pledges	(44,783)	(83,932)
Total	\$ 53,831	128,358

(5) Cash

The Lobo Club has \$3,475,040 and \$2,844,127 on deposit with UNM at June 30, 2013 and 2012, 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 \$177,609 and \$450,707 on deposit with a local financial institution at June 30, 2013 and 2012, respectively. This balance was insured by the Federal Deposit Insurance Corporation up to \$250,000. The uninsured amount at risk as of June 30, 2013 and 2012 was \$0 and \$200,707, respectively. The Lobo Club does not require collateral on its cash deposits.

A detail of the cash accounts at June 30, 2013 is included below:

Name	Account name	Account type	Bank balance	Reconciling items	Reconciled balance
Petty cash	—	—	\$ 200	—	200
U.S. Bank	Operating	Cash	177,609	(138,816)	38,793
University of New Mexico	Agency account	Cash	3,475,040	—	3,475,040
UNM Foundation	Unrestricted	Cash	41,268	—	41,268
UNM Foundation	Restricted	Cash	50,288	—	50,288
			\$ 3,744,405	(138,816)	3,605,589

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

Notes to Financial Statements

June 30, 2013 and 2012

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 \$166,086 and \$127,199 in contributions from Board Members for the years ended June 30, 2013 and 2012, respectively. The Lobo Club did not purchase goods and services of companies that Board Members are employed by during the year ended June 30, 2013 and 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
Two Park Square, Suite 700
6565 Americas Parkway, N.E.
Albuquerque, NM 87110-8179

**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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the UNM Lobo Club (Lobo Club), which comprise the balance sheet as of June 30, 2013, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 18, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lobo Club's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lobo's internal control. Accordingly, we do not express an opinion on the effectiveness of Lobo Club's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lobo Club's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the



determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Lobo Club's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lobo Club's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Albuquerque, New Mexico
October 18, 2013

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
Schedule of Findings and Responses
June 30, 2013

Prior Year Findings

12-01	Expense Approval Process	Resolved
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Current Year Findings

None

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

Exit Conference

June 30, 2013

We discussed the recommendations contained in this report during the exit conference held on September 23, 2013. 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
Chris Cates, 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 Cooper, Senior Associate

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