

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

Financial Statements

June 30, 2018 and 2017

(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 (Unaudited)

June 30, 2018

OFFICERS

Bart Kinney, President

Dee Dennis, President-Elect

Kyle Beasley, Past President

Rocky Hughes, Vice President

Norm Burns, Vice President

Dee Dennis, Vice President

Mary Best Maloy, Vice President

COMMITTEE CHAIR

Bart Kinney, Finance Chair

EXECUTIVE DIRECTOR

Kole McKamey (January 2016 to November 2017)

Jalen Dominguez (December 2017 to Present)

DIRECTORS

Ms. Susie Singer	Mr. Adrian Chavez	Mr. Pat Sanchez
Mr. Dale Armstrong	Ms. Margaret Branch	Mr. Kevin O'Hea
Mr. JJ Griego	Ms. Beverly McMillan	Mr. Adrian Perez
Mr. Warren Ellis	Mr. Lawrence Peterson	Mr. Rick Siegel
Mr. Greg Hunt	Mr. Larry Chavez	Mr. Jerry Smith
Mr. Dan Stock	Ms. Mary Beth Maloy	Mr. David Smoak
Ms. Lucy Barabe	Mr. Cliff Gramer	Mr. Rocky Hughes
Ms. Jennifer Mason	Mr. Larry Jehle	Mr. Adam Thornton
Mr. John Perner	Mr. Chris Youngblood	Mr. Rick Wadley
Ms. Miranda Sanchez	Mr. Arvind Raichur	All Past Presidents

EX-OFFICIO DIRECTOR

Mr. Paul Krebs

HONORARY LIFETIME MEMBERS

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

Independent Auditors' Report

The Board of Directors
UNM Lobo Club
and
Mr. Wayne A. Johnson
New Mexico State Auditor:

Report on the Financial Statements

We have audited the accompanying financial statements of the UNM Lobo Club (Lobo Club), which comprise the statements of financial net position as of June 30, 2018 and 2017, and the related statements of revenues, expenses and changes in net position and cash flows for the years 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 accounting principles generally accepted in the United State of America; 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United State of America require that 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 September 26, 2018 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.

Mess Adams LLP

Albuquerque, New Mexico
September 26, 2018

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
Management's Discussion and Analysis (unaudited)
June 30, 2018 and 2017

The following management discussion and analysis provides an overview of the financial position and activities of UNM Lobo Club (Lobo Club) as of and for the fiscal years ended June 30, 2018, 2017, and 2016. This discussion should be read in conjunction with the accompanying financial statements and notes. Management has prepared the basic financial statements and the related note disclosures along with this discussion and analysis. As such the financial statements and this discussion are the responsibility of Lobo Club's management.

Overview of the Basic Financial Statements

The statement of net position of Lobo Club provides both long-term and short-term information about 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 of Lobo Club. The statement of cash flows provides information about the sources and uses of cash by Lobo Club. The notes to the basic financial statements provide more detailed information about amounts reported in the basic financial statements.

Reporting Lobo Club's Activities

Financial Information

Lobo Club's condensed financial information as of and for the fiscal years ended June 30, 2018, 2017, and 2016 is provided in the following table:

Condensed Statements of Net Position Information

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total assets	\$ 4,225,051	\$ 3,530,412	\$ 3,782,059
Total liabilities	2,212,016	2,614,097	2,910,130
Deferred inflows of resources-unearned revenue	1,011,082	841,208	836,759
Net position			
Unrestricted	1,001,953	75,107	35,170
Total Net position	<u>\$ 1,001,953</u>	<u>\$ 75,107</u>	<u>\$ 35,170</u>

Condensed Statements of Net Position

Total Assets

A majority of the June 30, 2018, 2017, and 2016 assets are in the form of cash and cash equivalents in the amount of \$4,196,495, \$3,482,143, and \$3,723,250, respectively. As of June 30, 2018, \$2,464,979 was on deposit with the University of New Mexico (UNM), \$94,193 was on deposit with the University of New Mexico Foundation (UNMF), \$722,369 was in an operating bank account at U.S. Bank, \$61,976 was in a raffle bank account at U.S. Bank, \$852,778 was in a sports enhancement fund bank account at U.S. Bank, and \$200 was maintained in the form of petty cash. As of June 30, 2017, \$3,175,767 was on deposit with the University of New Mexico (UNM), \$111,144 was on deposit with the University of New Mexico Foundation (UNMF), \$195,032 was in an operating bank account at U.S. Bank, \$49,526 was in a raffle bank account at U.S. Bank, and \$200 was maintained in the form of petty cash.

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June 30, 2018 and 2017

As of June 30, 2016, \$2,933,855 was on deposit with the University of New Mexico (UNM), \$307,029 was on deposit with the University of New Mexico Foundation (UNMF), \$482,166 was in an operating bank account at U.S. Bank, and \$200 was maintained in the form of petty cash.

Accounts receivable at 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, 2018, 2017, and 2016 were \$20,336, \$41,659, and \$55,600, respectively. The changes from fiscal year to fiscal 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 fiscal year-end. The current fiscal year-end decrease in accounts receivable is primarily the result of an increase in donors that are on scheduled payment plans. Lobo Club held a receivable at June 30, 2017 primarily related to donors who received the right to purchase premium Men's Basketball tickets as a result of their donations, and were put on a payment plan.

Total Liabilities

A majority of the liabilities are in the form of a payable due to UNM for unrestricted donations in the amount of \$2,200,000, \$2,600,000, and \$2,900,000, as of June 30, 2018, 2017, and 2016, respectively. This was a contribution that was made from Lobo Club to the UNM 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 decreased over the years. This payable decreased by \$400,000 from June 30, 2017 to June 30, 2018 due to Lobo Club being unable to raise as many funds from donors as it had in the prior fiscal year.

Deferred Inflows of Resources – Unearned Revenue

Deferred inflows of resources were \$1,011,082, \$841,208, and \$836,759, as of June 30, 2018, 2017, and 2016, respectively. The increase of \$4,449 from June 30, 2016 to June 30, 2017 was the result of the Membership Drive and donors choosing to pay the next fiscal year's pledge in full or begin their payment plan during the current fiscal year, and the decrease of \$61,446 from June 30, 2015 to June 30, 2016 was the result of fewer contributions for fiscal year 2017 being paid in advance in fiscal year 2016.

Total Net Position

The net position consists primarily of unrestricted net position totaling \$1,001,953, \$75,107, and \$35,170, at June 30, 2018, 2017 and 2016, respectively. The increasing net position balance over the last year is due to the increase in operating and investment income earned during the current fiscal year. The increase in net position from \$1,845 as of June 30, 2016 to \$35,170 as of June 30, 2017 was primarily due to the investment income earned in fiscal year 2016, as the operating loss was (\$247).

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Management's Discussion and Analysis (unaudited)
June 30, 2018 and 2017

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Operating revenues:			
Grants, bequests, and contributions	\$ 5,458,827	\$ 4,478,358	\$ 5,871,968
Special events, net and other	204,602	194,722	102,812
Total operating revenues	<u>5,663,429</u>	<u>4,673,080</u>	<u>5,974,780</u>
Operating expenses:			
General and administrative	274,544	228,243	257,705
Program expenses	4,504,475	4,439,921	5,717,322
Total operating expenses	<u>4,779,019</u>	<u>4,668,164</u>	<u>5,975,027</u>
Operating income (loss)	884,410	4,916	(247)
Nonoperating revenue	42,436	35,021	33,572
Change in net position	926,846	39,937	33,325
Net position, beginning of year	75,107	35,170	1,845
Net position, end of year	<u>\$ 1,001,953</u>	<u>\$ 75,107</u>	<u>\$ 35,170</u>

Summary of Revenues, Expenses, and Changes in Net Position

Total Operating Revenues

A majority of the June 30, 2018 revenues are operating revenues consisting of contributions in the amount of \$5,458,827; including \$2,186,987 of gift-in-kind contributions and \$3,296,085 in fund-drive revenues. Compared to 2017, contribution revenues have increased by \$980,469 due to the increase in gifts-in-kind and sports enhancement fund revenues. Special event net revenues were \$204,602 in 2018 compared to \$194,722 in 2017. The increase is attributable to increase revenues earned over prior year from Lobo Club's two major fundraising events the 50/50 raffle and the auction.

A majority of the June 30, 2017 revenues are operating revenues consisting of contributions in the amount of \$4,478,358; including \$1,854,163 of gift-in-kind contributions and \$2,624,195 in fund-drive revenues. Compared to 2016, contribution revenues have decreased by \$1,393,610 due to the decrease in gifts-in-kind from UNM marketing contracts.

Total Operating Expenses

Total expenses for fiscal year 2018 are composed of \$274,544 in general and administrative expenses and \$4,504,475 in program expenses. General and administrative expense increased by \$46,301 from the prior year amount of \$228,243. This increase is due in part to an increase in expenses for website expense due to the update of the Lobo Club website. Program expenses increased by \$64,554 from the prior year amount of \$4,439,921. The increase is due to attributed to an increase in gift-in-kind expenses that went above and beyond the normal UNM marketing contracts.

Total expenses for fiscal year 2017 are composed of \$228,243 in general and administrative expenses and \$4,493,921 in program expenses. General and administrative expense decreased by \$29,462 from the prior year amount of \$257,705. This decrease is due in part to a reduction in expenses for the away game donor dinners and reduction in Mountain West Tournament expenses. Program expenses decreased by \$1,277,401 from the prior year amount of \$5,717,322. The decrease is due to attributed to a decrease in gift-in-kind expenses that went above and beyond the normal UNM marketing contracts.

Total expenses for fiscal year 2016 were composed of \$257,705 in general and administrative expenses and \$5,717,322 in program expenses. General and administrative expense decreased \$14,992 from the 2015 amount of \$272,697. This decrease was due in part to the end of employee car stipends previously paid by Lobo Club, along with a reduction in print material expense as web-based solicitation was used as outreach to our donors. Program expenses increased \$30,583 from the 2015 amount of \$5,686,739. The increase was due to more use of gift-in-kind donations by coaches and staff.

Change in Net Position

Net position increased by \$926,846 to \$1,001,953 at June 30, 2018 from \$75,107 at June 30, 2017. The increase is due to operating income of \$884,410 and investment income of \$42,436. Net position increased by \$41,782 to \$75,107 at June 30, 2017 from \$33,325 at June 30, 2016. The increase was due to operating income of \$4,916 and investment income of \$35,021.

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

Factors Impacting Future Periods

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

Contacting Lobo Club's Financial Management

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

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Statements of Net Position

June 30, 2018 and 2017

Assets	2018	2017
Current assets:		
Cash and cash equivalents	\$ 4,196,495	\$ 3,482,143
Accounts receivable, net of allowance for uncollectable pledges	20,336	41,659
Other current assets	8,220	6,610
Total current assets	4,225,051	3,530,412
Liabilities, Deferred Inflows, and Net Position		
Current liabilities:		
Accounts payable	12,016	14,097
Due to the University of New Mexico	2,200,000	2,600,000
Total current liabilities	2,212,016	2,614,097
Deferred inflows of resources – unearned revenue	1,011,082	841,208
Net position:		
Unrestricted	1,001,953	75,107
Total net position	\$ 1,001,953	\$ 75,107

See accompanying notes to financial statements.

UNM LOBO CLUB
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Statements of Revenues, Expenses, and Changes in Net Position
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating revenues:		
Grants, bequests, and contributions	\$ 5,458,827	\$ 4,478,358
Special events, net of expenses of \$187,411 and \$159,369, respectively	180,682	176,256
Other operating revenues	23,920	18,466
Total operating revenues	<u>5,663,429</u>	<u>4,673,080</u>
Operating expenses:		
General and administrative	274,544	228,243
Program expenses	4,504,475	4,439,921
Total operating expenses	<u>4,779,019</u>	<u>4,668,164</u>
Operating income	<u>884,410</u>	<u>4,916</u>
Nonoperating revenue:		
Investment income from endowment held by UNM Foundation	42,436	35,021
Total nonoperating revenue	<u>42,436</u>	<u>35,021</u>
Change in net position	926,846	39,937
Net position, beginning of year	<u>75,107</u>	<u>35,170</u>
Net position, end of year	<u>\$ 1,001,953</u>	<u>\$ 75,107</u>

See accompanying notes to financial statements.

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Statements of Cash Flows

June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Receipts from members and others	\$ 3,852,464	\$ 2,994,090
Payments to the University of New Mexico	(2,597,414)	(2,897,414)
Payments to vendors	(583,134)	(372,804)
Net cash provided by (used in) operating activities	671,916	(276,128)
Cash flows from investing activity:		
Investment income	42,436	35,021
Net cash provided by investing activity	42,436	35,021
Net increase (decrease) in cash and cash equivalents	714,352	(241,107)
Cash and cash equivalents, beginning of year	3,482,143	3,723,250
Cash and cash equivalents, end of year	\$ 4,196,495	\$ 3,482,143
Reconciliation of operating income to net cash from operating activities:		
Operating income	\$ 884,410	\$ 4,916
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Change in allowance for pledges receivable	(24,350)	(19,361)
Changes in assets, liabilities, and deferred inflows of resources:		
Accounts receivable	45,673	33,302
Other current assets	(1,610)	(3,401)
Accounts payable	(2,081)	3,967
Due to the University of New Mexico	(400,000)	(300,000)
Deferred inflows – unearned revenue	169,874	4,449
Net cash provided by (used in) operating activities	\$ 671,916	\$ (276,128)

See accompanying notes to financial statements.

UNM LOBO CLUB
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Notes to Financial Statements

June 30, 2018 and 2017

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

(2) Summary of Significant Accounting Policies and Practices

(a) Basis of Accounting and Presentation

The accompanying basic financial statements include only the accounts of Lobo Club, which has no component units. Lobo Club is a component unit of UNM.

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

Lobo Club applies business-type activity accounting and 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 Lobo Club's principal ongoing operations. All other revenues and expenses are considered nonoperating.

(b) Use of 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, petty cash, and two agency accounts held by UNM Foundation (UNMF).

(d) Capital Assets

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. Repairs and maintenance expenses are charged to operations when incurred and major improvements and replacements are capitalized. Lobo Club had no capital assets at June 30, 2018 and 2017.

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Notes to Financial Statements

June 30, 2018 and 2017

(e) Revenue Recognition

Lobo Club recognizes revenue from grants, bequests, and contributions when all applicable eligibility requirements are met. Deferred inflows of resources – unearned revenue represents amounts received for which applicable time requirements have not been 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 specific identification and historical experience (\$24,245 and \$48,595 at June 30, 2018 and 2017, respectively).

(f) Income Taxes

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 fiscal years ended June 30, 2018 and 2017.

(g) Net Position

For accounting and reporting purposes, Lobo Club reports its net position in the following net position categories as applicable:

Restricted Net Position – represents 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 is resources that 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. There were no restricted amounts as of June 30, 2018 or June 30, 2017.

Unrestricted Net Position – consists of those operating funds over which 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, 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 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.

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Notes to Financial Statements

June 30, 2018 and 2017

(3) The University of New Mexico Transactions/Related-Party Transactions

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. On May 25, 1993, UNM and 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 7, 2015; this modification did not have a significant impact on the operations of Lobo Club. Lobo Club's employees are paid by UNM and UNMF and they participate in UNM's employee benefit programs. The agreement can be terminated by either party, at which time Lobo Club's assets would revert to UNM. As a fund-raising entity operating solely in support of the UNM Athletic Department, 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.

Lobo Club authorized final cash contributions for unrestricted donations of \$2,200,00 and \$2,600,000 to the UNM Athletic Department for the years ended June 30, 2018 and 2017, respectively. These contributions are included in the amounts reported as due to the University of New Mexico in the statements of net position and are reflected as a program expense in the statements of revenues, expenses, and changes in net position.

Additionally, in the regular course of business, the Lobo Club makes minor purchases on behalf of UNM and they are reimbursed for such disbursements. As of June 30, 2018, Lobo Club owed \$12,016 to the UNM general operating account. There were no payments owned to UNM as of June 30, 2017.

During the years ended June 30, 2018 and 2017, Lobo Club generated pass-through gifts in-kind of advertising and media services, automobiles, food, and meeting facilities, among other items, which were valued at \$2,186,987 and \$1,854,163, 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 Lobo Club provides membership benefits to the contributors in return for the in-kind gifts.

Lobo Club received \$475,295 and \$529,591 in contributions from board members for the years ended June 30, 2018 and 2017, respectively. Lobo Club did not purchase goods and services from companies that board members are employed by during the fiscal years ended June 30, 2018 and 2017.

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Notes to Financial Statements

June 30, 2018 and 2017

(4) Accounts Receivables

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

	2018	2017
Promises to give (pledges)	\$ 44,081	\$ 88,354
Amounts due from individuals and corporations for special events	500	1,900
	44,581	90,254
Allowance for uncollectible pledges	(24,245)	(48,595)
Total	\$ 20,336	\$ 41,659

(5) Cash and Cash Equivalents

Lobo Club had \$2,464,979 and \$3,175,767 on deposit with UNM at June 30, 2018 and 2017, 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.

Lobo Club had \$1,769,687 and \$188,927 on deposit with a local financial institution at June 30, 2018 and 2017, respectively. This balance was insured by the Federal Deposit Insurance Corporation up to \$250,000. The uninsured amount at risk as of June 30, 2018 and 2017 was \$1,529,687 and \$0, respectively. Lobo Club does not require collateral on its cash deposits.

A detail of the cash accounts at June 30, 2018 is included below:

Name	Account Name	Account Type	Bank Balance	Reconciling Items	Reconciled Balance
Petty cash	-	-	\$ 200	\$ -	\$ 200
U.S. Bank	Operating	Cash	889,209	(166,840)	722,369
U.S. Bank	Raffle	Cash	61,976	-	61,976
U.S. Bank	SEF	Cash	818,502	34,276	852,778
University of New Mexico	Agency account	Cash	2,263,159	201,820	2,464,979
UNM Foundation	Restricted	Cash	94,193	-	94,193
			\$ 4,127,239	\$ 69,256	\$ 4,196,495

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Notes to Financial Statements

June 30, 2018 and 2017

A detail of the cash accounts at June 30, 2017 is included below:

Name	Account name	Account type	Bank Balance	Reconciling Items	Reconciled Balance
Petty cash	-	-	\$ 200	\$ -	\$ 200
U.S. Bank	Operating	Cash	139,401	6,105	145,506
U.S. Bank	Raffle	Cash	49,526	-	49,526
University of New Mexico	Agency account	Cash	3,175,767	-	3,175,767
UNM Foundation	Unrestricted	Cash	54,671	-	54,671
UNM Foundation	Restricted	Cash	56,473	-	56,473
			<u>\$ 3,476,038</u>	<u>\$ 6,105</u>	<u>\$ 3,482,143</u>

(6) Endowments Held by UNM/UNM Foundation

UNM/UNMF Endowment Program holds endowment funds and related expendable income funds, which have been contributed for the benefit of Lobo Club. The principal balances amounted to \$244,985 and \$238,330 as of June 30, 2018 and 2017, respectively. A portion of the earnings from the funds, in the amount of \$42,436 and \$35,021, respectively, was allocated to the spending accounts for student scholarships or other expenses, as stipulated by the donor. UNMF estimates quarterly earnings for the first three quarters. The final annual allocation was determined and adjustments were made in the fourth quarter allocation on June 30. The principal endowment balances disclosed herein are not recorded in the Lobo Club's financial statements.

Risk disclosure information relating to the UNMF investments in the Combined Investment Fund (CIF) may be obtained by reference to the annual financial report of UNM. That report may be obtained by contacting the Controller's office at UNM Business Center, 1700 Lomas NE, Albuquerque, New Mexico 87131-0311.

(7) Risk Management

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

**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. Wayne A. Johnson
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), a component of the University of New Mexico, which comprise the statement of net position as of June 30, 2018, 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 September 26, 2018.

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 Club'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 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 Lobo Club's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mess Adams LLP

Albuquerque, New Mexico
September 26, 2018

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
Schedule of Findings and Responses
June 30, 2018

No matters were reported.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
Summary Schedule of Prior Audit Findings
June 30, 2018

No prior year matters reported.

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

Exit Conference

Year ended June 30, 2018

An exit conference was held on September 26, 2018. During this meeting, the contents of this report were discussed with the following individuals:

UNM Lobo Club

Bart Kinney - Board President
Dee Dennis - Board VP, head of finance committee
Rocky Hughes - board member/finance committee
Rick Siegel - board member/finance committee
Kyle Beasley - board member/finance committee
Jack Thompson - board member/finance committee
Pat Dee - board member/finance committee
Rob Robinson - UNM Athletics CFO
Jalen Dominguez - Interim Executive Director of the Lobo Club
Paige Klostermann - Director of Development Lobo Club
Chelsea Redmond - Data Services Coordinator Lobo Club
Mike Matzgo - Fidel, Perner, & Michnovicz

Moss Adams LLP

Sheila Herrera, Senior Manager
Michael McGinley, Manager

Lobo Club is responsible for the contents of the financial statements. Moss Adams LLP assisted with the preparation of the financial statements.