



REPORT OF INDEPENDENT AUDITORS AND FINANCIAL
STATEMENTS WITH SUPPLEMENTARY INFORMATION

**THE ROBERT O. ANDERSON SCHOOLS
OF MANAGEMENT FOUNDATION**
(A Component Unit of the University of New Mexico)

June 30, 2020 and 2019



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THE ROBERT O. ANDERSON SCHOOLS OF MANAGEMENT FOUNDATION
(A Component Unit of the University of New Mexico)

Official Roster (unaudited)

June 30, 2020

OFFICERS

Eddie Padilla, Chair
Paul Madrid, Vice Chair
Melissa Nunez, Treasurer
Mike Buehler, Secretary
Paul Madrid, Past-Chair

COMMITTEE CHAIRS

Mike Buehler, Chair, EPEC Committee
Ale Veltmann, Chair, Advancement Committee
Tom Broderick, Chair, Nominating Committee
Melissa Nunez, Chair, Finance Committee
Eddie Duffy, Chair, UNM Entrepreneurial Challenge

EX-OFFICIO MEMBERS

Mitzi Montoya, Dean
Joe Weiss, Senior Development Officer

BOARD MEMBERS

Scott Aeilts	Conner Marshall
Emily Allen	Isaac Montoya
Nathan Baldwin	Scott Page
Damon Chronis	Kate Potter
Scott Czarniak	Tracy Utterback
Earl E. Debrine, Jr.	Derek Valdo
Chris Dunkerson	Marvis Vallo
Stephen Griego	Janeen Vilven-Doggett
Scott Lopez	Denise Wilcox

Suzette Longfellow (Advisory)	Tom Broderick (Advisory)
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Report of Independent Auditors

The Board of Directors
The Robert O. Anderson Schools of Management Foundation
and Mr. Brian S. Colón, Esq., New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of Robert O. Anderson Schools of Management Foundation (the Anderson Foundation), a component unit of the University of New Mexico, which comprise the statements of net position as of June 30, 2020 and 2019, 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, which collectively comprise Anderson Foundation's basic financial statements as listed in the table of contents.

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 opinions 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 Robert O. Anderson Schools of Management Foundation as of June 30, 2020 and 2019, 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 Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 5 through 11 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Anderson Foundation's basic financial statements. The schedules of revenues and expenses – Executive and Professional Education Center, and statements of functional expenses for the years ended June 30, 2020 and 2019, on pages 28 through 31 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of revenues and expenses – Executive and Professional Education Center, and statement of functional expenses for the years ended June 30, 2020 and 2019 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of revenues and expenses – Executive and Professional Education Center, and statements of functional expenses for the years ended June 30, 2020 and 2019 are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2020, on our consideration of Anderson Foundation'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 Anderson Foundation's internal control over financial reporting and compliance.

Mess Adams LLP

Albuquerque, New Mexico

October 12, 2020

**The Robert O. Anderson Schools of Management Foundation
(A Component Unit of the University of New Mexico)
Management's Discussion and Analysis
June 30, 2020 and 2019
(Unaudited)**

The following discussion and analysis provides an overview of the financial position and activities of the Robert O. Anderson Schools of Management Foundation (the Anderson Foundation) as of and for the fiscal years ended June 30, 2020, 2019, and 2018. 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, notes, and their discussion are the responsibility of the Anderson Foundation.

Overview of the Basic Financial Statements

The Anderson Foundation's annual report consists of the Management's Discussion and Analysis, which provides a broad narrative overview of its financial activities for the fiscal years ended June 30, 2020, 2019, and 2018 and the following, which comprise the basic financial statements:

1. Statements of Net Position
2. Statements of Revenues, Expenses, and Changes in Net Position
3. Statements of Cash Flows
4. Notes to Financial Statements

The Statements of Net Position of the Anderson Foundation provide information about the Anderson Foundation's overall financial position. The statements of revenues, expenses, and changes in net position provide information about the operating revenues and expenses and the nonoperating revenues and expenses of the Anderson Foundation. The statements of cash flows provide information about the sources and uses of cash by the Anderson Foundation. The notes to the basic financial statements provide additional, detailed information about amounts reported in the basic financial statements.

The Anderson Foundation condensed financial information as of and for the fiscal years ended June 30, 2020, 2019, and 2018 are provided in the following table:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current assets	<u>\$ 4,602,359</u>	<u>\$ 5,327,756</u>	<u>\$ 5,135,071</u>
Current liabilities	<u>\$ 979,025</u>	<u>\$ 1,679,182</u>	<u>\$ 1,558,579</u>
Net position:			
Unrestricted	3,051,794	3,184,092	3,086,009
Restricted	<u>571,540</u>	<u>464,482</u>	<u>490,483</u>
Total net position	<u>3,623,334</u>	<u>3,648,574</u>	<u>3,576,492</u>
Total liabilities and net position	<u>\$ 4,602,359</u>	<u>\$ 5,327,756</u>	<u>\$ 5,135,071</u>

The Robert O. Anderson Schools of Management Foundation
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(Unaudited)

Current Assets

A majority of the current assets at year-end are in the form of cash and cash equivalents, and investments. The primary factor contributing to any other increase or decrease in investments is the performance of the investment portfolio during each year.

The Anderson Foundation maintains cash in a checking account at the Wells Fargo Bank, N.A. All payments and donations received for the Anderson Foundation are deposited into the checking account. Donations for endowments housed at the UNM Foundation are deposited at the UNM Foundation. The checking account maintains a daily \$250,000 balance. Any balance over \$250,000 is invested nightly in the sweep account. Cash and cash equivalents on the balance sheet also includes cash and money market accounts in the investment portfolio.

Accounts receivable at the Anderson Foundation consists primarily of receivables for programs at the Executive and Professional Education Center (EPEC). There are currently two active EMBA cohort groups and two MBA-ED cohorts. Both programs are two year programs (seven semesters) starting and ending in the summer semester. Anderson Foundation sets up the receivable at the beginning of each fiscal year by debiting accounts receivable and crediting unearned revenue. Revenue is recognized each month based on actual student registration with the majority of the students registering before the start of the semester. If a student in either program leaves the program without registering for classes, the receivable and unearned revenue are reversed. If the student registers, attends the class, and does not drop within the allowed time at UNM, the student owes the tuition for the class or classes. No allowance for doubtful accounts is considered necessary at June 30, 2020. The UNM Bursar's Office handles all uncollectible student accounts for the Executive MBA and MBA-ED programs.

Current Liabilities

The current liabilities decreased in 2020 primarily as a result of a decrease in the payable Due to the University of New Mexico (UNM). Increases and decreases to Due to UNM are a result of several factors explained below. To be consistent with the UNM practice of recognizing 50% of the summer revenue in the current fiscal year and 50% in the next year, Anderson Foundation adopted the same procedure for the EMBA and MBA-ED summer registrations in 2017 and continued in 2018, 2019, and 2020. Each summer will have 50% of tuition earned and 50% unearned on the financial statements. Pre-paid tuition for future semesters are also considered unearned income and are reflected in the charts below.

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Tuition for current EMBA cohorts is \$1,085 per credit hour. MBA-ED tuition has been \$801 per credit hour since the beginning of the program in 2015, but was reduced to \$800 for the 2018-2020 cohort.

	2020	2019	2018
EMBA students from prior cohorts	\$ -	\$ 1,489	\$ 180,505
EMBA Cohort 2017-2019 (30 students)	-	109,585	131,828
EMBA Cohort 2018-2020 (38 students)	144,305	203,980	169,260
EMBA Cohort 2019-2021 (47 students)	171,430	150,848	-
EMBA Cohort 2020-2022 (45 students)	228,308	-	-
Total EMBA unearned revenue	<u>544,043</u>	<u>465,902</u>	<u>481,593</u>
MBA-ED students from prior cohorts	-	3,141	32,440
MBA-ED Cohort 2017-2019 (24 students)	-	88,110	57,672
MBA-ED Cohort 2018-2020 (18 students)	28,800	94,050	94,055
MBA-ED Cohort 2019-2021 (15 students)	31,200	42,000	-
MBA-ED Cohort 2020-2022 (13 students)	64,802	-	-
Total MBA-ED unearned revenue	<u>124,802</u>	<u>227,301</u>	<u>184,167</u>
Career and professional development and other	-	-	1,000
All unearned revenue	<u>\$ 668,845</u>	<u>\$ 693,203</u>	<u>\$ 666,760</u>

The accounts payable to UNM (Due to UNM) is the net of Anderson Foundation, including EPEC, expenses paid through UNM and the student tuition collected at UNM Bursar's Office and transferred to UNM Banner indices for the Anderson Foundation. The expenses through UNM are for faculty, student, and staff salaries related to Anderson Foundation, payroll taxes, fringe benefits, travel, equipment, and operating expenses paid through UNM for the Anderson Foundation. The majority of the expenses are for EPEC degreed programs (EMBA and MBA-ED Leadership). A portion of the EPEC expenditures are offset by student financial aid and revenue received through UNM for the degreed programs. Financial aid is collected by UNM's Bursar Office and transferred to the Anderson Foundation when students are registered. The online payments for Career and Professional Development (CPD) and GRE/GMAT programs are received through UNM Touchnet and UNM staff and faculty tuition remission. The remaining Due to UNM payable was for other EPEC expenses and functional expenses, including faculty and student support, general and management, and fundraising. Fluctuations in the balances each year depend on the type of expenditures and the revenue received through UNM.

The Robert O. Anderson Schools of Management Foundation
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Net Position

Net position at the Anderson Foundation consists of two amounts: restricted expendable and unrestricted. The balances in the restricted expendable accounts are designated for various academic departments, programs, student scholarships, or student organizations. The restriction on the funds is determined by the donors. The restricted expendable account with the most activity is the UNM Business Plan Competition (currently known as the Entrepreneurship Challenge or EC), which includes both the Entrepreneurial and the Technology groups. The EC group is funded by a number of sponsors and up until 2017, the Technology Innovation Program (TIP) endowment at UNM. The EC group is working with UNM to continue the support from TIP, but funds were not transferred from the endowment to EC in 2018 and 2019. Students groups present their companies to a group of New Mexico professional business leaders. The groups receive funding once they complete the requirements set by the committee.

Included in the unrestricted net position are designated funds that are from three sources. (1) Funds are allocated by the Anderson Foundation Board through the budget process to the Anderson Dean. The Anderson Dean allocates funds to individual faculty, departments, students, and staff at the UNM Anderson School of Management (Anderson School); (2) Funds are generated by faculty consulting activities, special teaching programs, student competitions, or conferences and are noted in the footnotes. Funds in these accounts may be received in one fiscal year and spent in another year depending on the timing of conferences, equipment purchases, computer and software needs, or faculty sabbaticals. The balance increases or decreases are due to faculty, chair, and dean initiatives and activities; (3) Allocation of funds from the Anderson Foundation Board for specific projects or needs at the Anderson School.

Unrestricted funds are primarily from unrestricted contributions or net revenues generated by the activities of the Executive and Professional Education Center (EPEC). EPEC is a self-supporting department within the Anderson Foundation, offering a variety of educational products, including two cohorts of the Executive MBA and MBA-ED Leadership programs, Career and Professional Development (CPD), and GRE/GMAT preparation classes. The GRE/GMAT sections are open to all people planning to take either the GMAT or GRE tests, including students interested in the Anderson School EMBA, MBA, Masters of Accounting, and other Anderson School concentrations.

The Robert O. Anderson Schools of Management Foundation
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Condensed Summary of Revenues, Expenses, and Changes in Net Position			
	2020	2019	2018
Operating revenues:			
EPEC operations:			
Revenues	\$ 2,402,720	\$ 2,763,109	\$ 3,008,584
Expenses	(1,831,300)	(2,004,262)	(1,996,054)
Net revenue from EPEC operations	571,420	758,847	1,012,530
Other revenues and support	317,954	371,522	433,959
Total operating revenues and other support	889,374	1,130,369	1,446,489
Operating expenses:			
Program services - faculty support	340,106	505,136	419,673
Program services - business plan competition	-	-	25,000
Program services - student support	89,954	91,173	166,657
Fundraising activities	176,561	145,439	148,074
Management and general	246,267	245,425	204,892
Total operating expenses	852,888	987,173	964,296
Operating income	36,486	143,196	482,193
Nonoperating revenues (expenses):			
Investment activities	75,774	139,355	136,770
Transfer to UNM Foundation	(137,500)	(210,469)	(261,082)
Nonoperating revenues (expenses), net	(61,726)	(71,114)	(124,312)
Increase in net position	(25,240)	72,082	357,881
Net position, beginning of year	3,648,574	3,576,492	3,218,611
Net position, end of year	\$ 3,623,334	\$ 3,648,574	\$ 3,576,492

Total Operating Revenues and Other Support and Operating Expenses

Decrease in the revenue from the two degreed programs in EPEC are attributed to several changes during the last few years. One significant change for both programs in summer tuition division between the two fiscal years and how it is effected by when students are registered for classes. Dividing the tuition between the fiscal years is a practice of UNM. UNM transfers 50% of the summer tuition to Anderson for students registered by June 30.

Other educational products offered by EPEC include a number of Career and Professional Development (CPD) standard and customized programs and GRE/GMAT preparatory classes. CPD revenue decreased by \$172,860 from 2019 to 2020. GRE/GMAT revenue increased from \$19,475 to \$40,840 in 2019 to 2020, respectively.

Other operating revenues at the Anderson Foundation include restricted and unrestricted donations, the Entrepreneurship Challenge donations, faculty consulting projects, conferences, and fundraising events; such as the annual Hall of Fame event. The Hall of Fame table sales and contributions for the endowed scholarship made directly to the Anderson Foundation are recorded in Anderson Foundation fundraising.

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Other contributions for the events are either paid online to UNM Foundation or sent directly to UNM Foundation for the endowments associated with the events. Anderson Foundation does not include donations made directly to endowment accounts at UNM Foundation, including donations made as a result of the events. Net proceeds from the fundraising events are used to support student programs and scholarships. Due to the coronavirus (COVID-19), the annual Hall of Fame fundraising event could not be held during fiscal year 2020. The Hall of Fame net amount after expenses were approximately \$87,300 in 2020 and \$73,000 in 2019. Approximately, \$23,000 in 2019, was sent to the UNM Foundation for current scholarships. In 2020, there were no scholarship funds sent to UNM Foundation to fund current scholarships. The remaining balances were deposited in the Hall of Fame Endowed Scholarship. The changes from year to year in the other operating revenues depend on a number of factors, including the timing of the contributions and consulting payments, the economy, marketing of the events, or other factors.

EPEC is a self-supporting department within the Anderson Foundation. Anderson Foundation does not directly pay employee salaries and benefits. Faculty, staff, and students working for EPEC or the Anderson Foundation are considered employees of The University of New Mexico. The salaries, payroll taxes, and UNM benefits for the faculty teaching in the various programs and staff and students supporting the programs are paid through UNM and reimbursed annually as part of the Due to UNM payable. Student fees paid to UNM are at the same rate as other UNM graduate students and allow EMBA and MBA-ED students to use UNM libraries, student health, Johnson gym, and other facilities.

Functional expenditures outside EPEC include program services for faculty, staff and students; management and general; and fundraising costs. Some of the program funds are allocated by the Anderson Dean to faculty, staff, and students at Anderson School for a variety of programs and activities. Other funds are generated by the faculty and are used for the benefit of faculty and students. Expenditures for students include Washington Campus, student orientation, student research projects, career fairs, travel to various local, national and international competitions, and conferences. Faculty allocations are used to attend various professional conferences, course development, equipment, computers, and software to support faculty teaching and research. Anderson School staff can apply for funding to attend workshops and conferences for professional development through various professional organizations. Fundraising costs include the annual Hall of Fame dinner, donor cultivation, and newsletters to alumni and donors. The fluctuation in the balances is primarily related to the state of the economy and the cost of fundraising events such as the Hall of Fame dinner.

**The Robert O. Anderson Schools of Management Foundation
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Nonoperating Revenues and Expenses

The Anderson Foundation's investments are managed by Merrill Lynch.

One transfer from the Anderson Foundation was made to UNM endowed accounts in 2019-2020 in the amount of \$137,500, and was transferred to the building endowment.

Factors Impacting Future Periods and Subsequent Events

The continued uncertainty of the economy due to COVID-19 and its effect on student enrollment, tuition increases, contributions from donors, and the overall performance of the investment portfolio could have a significant impact on the Anderson Foundation.

Contacting the Anderson Foundation's Financial Management

This report is meant to describe the financial condition and position of the Robert O. Anderson Schools of Management Foundation.

If you have questions about this report or need additional financial information, please contact:

Robert O. Anderson Schools of Management Foundation
The University of New Mexico
MSC 05-3090
1922 Las Lomas NE
Albuquerque, NM 87131
505-277-4234

The Robert O. Anderson Schools of Management Foundation
(A Component Unit of the University of New Mexico)
Statements of Net Position

ASSETS	June 30,	
	2020	2019
Current assets:		
Cash and cash equivalents	\$ 1,383,820	\$ 1,831,606
Investments	2,783,062	2,733,554
Accounts receivable, less allowance for doubtful receivables of \$0 in 2020 and \$18,875 in 2019	380,510	655,187
Due from The University of New Mexico	54,967	53,356
Inventory – EPEC textbooks/brochures	-	38,434
Prepaid expenses – EPEC	-	14,452
Promotion items on hand	-	1,167
Total current assets	\$ 4,602,359	\$ 5,327,756
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable	\$ 4,387	\$ 11,522
Due to The University of New Mexico	305,793	974,457
Unearned revenue	668,845	693,203
Total current liabilities	979,025	1,679,182
Net position:		
Unrestricted	3,051,794	3,184,092
Restricted	571,540	464,482
Total net position	3,623,334	3,648,574
Total liabilities and net position	\$ 4,602,359	\$ 5,327,756

The Robert O. Anderson Schools of Management Foundation
(A Component Unit of the University of New Mexico)
Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended June 30,	
	2020	2019
Operating revenues and other support:		
Executive and Professional Education Center revenues	\$ 2,402,720	\$ 2,763,109
Executive and Professional Education Center direct and allocated costs	<u>(1,831,300)</u>	<u>(2,004,262)</u>
Net revenue from Executive and Professional Education Center operations	571,420	758,847
Contributions	151,361	110,097
Consulting and conference revenue	44,653	94,375
Fundraising events	104,525	153,878
Other income	<u>17,415</u>	<u>13,172</u>
Total operating revenues and other support	<u>889,374</u>	<u>1,130,369</u>
Operating expenses:		
Program services - faculty support	340,106	505,136
Program services - student support	89,954	91,173
Fundraising activities	176,561	145,439
Management and general	<u>246,267</u>	<u>245,425</u>
Total operating expenses	<u>852,888</u>	<u>987,173</u>
Operating (loss) income	<u>36,486</u>	<u>143,196</u>
Nonoperating revenues and expenses:		
Interest/dividend income	81,459	58,061
Net unrealized and realized (losses) gains on investments	(5,685)	81,294
Transfer to UNM Foundation	<u>(137,500)</u>	<u>(210,469)</u>
Nonoperating revenues and expenses, net	<u>(61,726)</u>	<u>(71,114)</u>
(Decrease) increase in net position	(25,240)	72,082
Net position, beginning of year	<u>3,648,574</u>	<u>3,576,492</u>
Net position, end of year	<u><u>\$ 3,623,334</u></u>	<u><u>\$ 3,648,574</u></u>

The Robert O. Anderson Schools of Management Foundation
(A Component Unit of the University of New Mexico)
Statements of Cash Flows

	Years Ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Executive and Professional Development Center	\$ 2,653,039	\$ 2,906,927
Receipts from other revenues and support	316,343	400,680
Payments to The University of New Mexico	(974,457)	(815,494)
Payments to outside vendors	(2,331,477)	(2,032,419)
Net cash flows (used) provided by operating activities	(336,552)	459,694
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITY		
Transfers to UNM Foundation	(137,500)	(210,469)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased	(1,053,807)	(1,459,381)
Investments proceeds	998,614	1,096,561
Investment income	81,459	58,061
Net cash flows provided (used) by investing activities	26,266	(304,759)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(447,786)	(55,534)
CASH AND CASH EQUIVALENTS, beginning of year	1,831,606	1,887,140
CASH AND CASH EQUIVALENTS, end of year	\$ 1,383,820	\$ 1,831,606
Reconciliation of changes in net position to net cash (used) provided by operating activities:		
Operating (loss) income	\$ 36,486	\$ 143,196
Adjustments to reconcile operating (loss) income to net cash flows (used) provided by operating activities		
Changes in assets and liabilities:		
Accounts receivable, net of allowance	274,677	117,375
Due from The University of New Mexico	(1,611)	29,158
Inventory - EPEC textbooks/brochures	38,434	18,493
Prepaid expenses - EPEC	14,452	30,429
Promotional items on hand	1,167	440
Accounts payable	(7,135)	(64,803)
Due to The University of New Mexico	(668,664)	158,963
Unearned revenue	(24,358)	26,443
Net cash flows (used) provided by operating activities	\$ (336,552)	\$ 459,694

The Robert O. Anderson Schools of Management Foundation (A Component Unit of the University of New Mexico)

Notes to Financial Statements

Note 1 – Organization

The Robert O. Anderson Schools of Management Foundation (the Anderson Foundation), a component unit of the University of New Mexico (UNM), is a not-for-profit corporation organized in 1971 to promote continuing education to the business community and to support the Robert O. Anderson School of Management. The Anderson Foundation provides professional workshops, seminars, guest symposiums, two masters level degree programs, and funding for various faculty fellowships/lectureships/professorships, student support, and research grants.

Note 2 – Summary of Significant Accounting Policies and Practices

A summary of significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Accounting and Presentation

As a propriety fund, the Anderson Foundation's financial statements are reported using a flow of economic resources measurement focus and the full 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 by the Anderson Executive and Professional Education Center (EPEC) and events and activities that relate directly to the Anderson School of Management (Anderson School) faculty, staff, and students. Revenues from investments and revenues and expenses that are transferred to UNM Foundation for a variety of purposes are considered nonoperating activities in the statement of revenues, expenses, and changes in net position.

The accompanying financial statements include only the accounts of the Anderson Foundation, which has no component units.

Net Position

For accounting and reporting purposes, the Anderson Foundation reports its net position in the following net asset categories as applicable:

- Unrestricted net position represents resources whose use is not limited or restricted by donors. Unrestricted net position has arisen from exchange transactions, receipt of unrestricted contributions, and expirations of existing restrictions. Restricted contributions are recorded as unrestricted to the extent the restrictions expire in the same reporting period. The Anderson Foundation Board of Directors has designated certain unrestricted funds for support of faculty and department activities.
- Restricted net position represents resources whose use is limited by donors for the support of the academic activities of UNM faculty and/or students. Such restrictions are legally enforceable. Restricted funds are released from restriction as their purpose restrictions are met. When both restricted and unrestricted funds are available, restricted funds are expended first.

Cash and Cash Equivalents

The Anderson Foundation considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash equivalents consist of cash on deposit with financial institutions and money market funds.

The Robert O. Anderson Schools of Management Foundation
(A Component Unit of the University of New Mexico)
Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies and Practices (continued)

Concentrations of Credit Risk

The Anderson Foundation maintains cash accounts with a local financial institution. Such deposits are subject to applicable deposit insurance coverage as provided by the Federal Deposit Insurance Corporation.

Accounts receivable comprise amounts due from sources: (1) from students enrolled in The Executive Masters of Business Administration Program (EMBA) for tuition, (2) from students enrolled in the MBA in Education Leadership Program (MBA-ED), and (3) contracts for continuing education programs. These receivables are not collateralized, and credit losses have been within management's expectations.

Inventories

Inventories consisting of textbooks, T-shirts, pens, business card holders, and mugs are carried at the lower of average cost or fair value.

Equipment and Depreciation

The Anderson Foundation donates capital acquisitions to UNM so they can determine whether the equipment is inventory at UNM. According to UNM policy, inventoried property is defined, with one exception, by the following three criteria: 1) The cost is greater than \$5,000, 2) the property is moveable, and 3) the property has a useful life of more than one (1) year. Inventoried property costing more than \$5,000 is also defined as equipment and is capitalized on UNM's financial statements and is depreciated. Computers, however, are treated as inventoried property regardless of cost. In most cases the cost of a computer is less than \$5,000, in which case it is not capitalized and is not depreciated. Questions regarding computers should be addressed to the office of Inventory Control. Donated long-lived assets are capitalized at their fair values at the date of donation.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values. Unrealized gains and losses are included in the change in net position. Investment income and gains restricted by a donor are reported as increases in unrestricted net position if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Income Taxes

The Anderson Foundation is exempt from federal income tax under Section 501(a) of the Internal Revenue Code (the Code) as an organization described in Section 501(c)(3) of the Code. Accordingly, no provision for federal or state income taxes has been made.

Revenue Recognition

Support and revenue is recognized as the Anderson Foundation becomes entitled to the resources. Part of the Anderson Foundation's revenue is derived from the Executive and Professional Education Center (EPEC) nondegree educational programs (Career and Professional Development and GRE/GMAT). Revenue is recognized as cash is received during the year. Payments received for future programs at year-end are unearned and recognized in the appropriate fiscal year. The combination of regular standard certificate programs and the customized training is currently under the title of Career and Professional Development.

The Robert O. Anderson Schools of Management Foundation (A Component Unit of the University of New Mexico)

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies and Practices (continued)

The EMBA and the MBA-ED are two-year (seven semester) academic programs with participants earning a Master's of Business Administration (MBA) degree from the University of New Mexico (UNM). Tuition revenue for the programs is recognized as credit hours are taken by program participants, in accordance with UNM registration and withdrawal policies. At the beginning of each cycle, all tuition and fees for the entire academic year are recorded as receivable and unearned revenue from the individual student. Revenue is recognized monthly as the students register for the credit hours taken during the fiscal year. As revenue is recognized, unearned revenue is reduced. Summer tuition and fees are recognized according to current UNM practices. As students from all cohorts register for the summer semester, UNM transfers 50% of the revenue to the current year ending June 30 and defers 50% for the next fiscal year. The second 50% is posted in July. Unearned revenue at year-end represents 50% of the summer tuition and fees and any tuition and fees from current students who have not registered for scheduled classes either in summer or past semesters.

Contributions received, including unconditional promises to give, are recorded in the period received. All contributions are available for unrestricted use unless specifically restricted by the donor.

Operating Expenses

The Anderson Foundation reports its functional expenses according to three classifications: program services, management and general, and fundraising activities. All costs are specifically tracked among classifications.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising Costs

The Anderson Foundation expenses advertising costs as incurred.

Reclassification

Certain amounts from prior year financial statements have been reclassified in order to conform to the current year presentation.

Note 3 – Related-Party Transactions

As of June 30, 2020 and 2019, the Anderson Foundation has net accounts payable of \$305,793 and \$974,457, respectively, due to UNM for amounts paid by UNM on behalf of the Anderson Foundation for personnel costs, supplies, travel, equipment, student fees, and books.

As of June 30, 2020 and 2019, the Anderson Foundation has a due from UNM of \$54,967 and \$53,356, respectively, related to nonendowed funds held by UNM that are due to Anderson Foundation. See Note 7.

The Robert O. Anderson Schools of Management Foundation
(A Component Unit of the University of New Mexico)
Notes to Financial Statements

Note 4 – Cash and Cash Equivalents

A detail of the cash accounts at June 30, 2020 is included below:

Name of Depository	Account Name	Account Type	Bank Balance	Reconciling Items	Reconciled Balance
Wells Fargo	Operating	Cash	\$ 256,576	\$ -	\$ 256,576
Wells Fargo	Sweep	Cash	1,041,105	-	1,041,105
Merrill Lynch/Bank of America	Investment	Money market	86,139	-	86,139
			<u>\$ 1,383,820</u>	<u>\$ -</u>	<u>\$ 1,383,820</u>

A detail of the cash accounts at June 30, 2019 is included below:

Name of Depository	Account Name	Account Type	Bank Balance	Reconciling Items	Reconciled Balance
Wells Fargo	Operating	Cash	\$ 250,000	\$ (145,460)	\$ 104,540
Wells Fargo	Sweep	Cash	1,649,537	-	1,649,537
Merrill Lynch/Bank of America	Investment	Money market	77,529	-	77,529
			<u>\$ 1,977,066</u>	<u>\$ (145,460)</u>	<u>\$ 1,831,606</u>

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 Anderson Foundation had a total of \$1,383,820 and \$1,977,066 on deposit with national financial institutions at June 30, 2020 and 2019, respectively. The Anderson Foundation set up a sweep account in order to collateralize its uninsured cash deposits. The balance in the operating account at June 30, 2020 and June 30, 2019 was insured up to the first \$250,000 by the Federal Deposit Insurance Corporation (FDIC), and the balance in the sweep account that was uninsured of \$1,041,105 and \$1,649,537 for 2020 and 2019, respectively, was collateralized through the sweep account which purchases U.S. Treasuries and Agencies. The money market mutual funds held by the Anderson Foundation are not subject to custodial credit risk.

Note 5 – Investments

The Anderson Foundation has an investment account with Merrill Lynch (Bank of America) with a year-end balance of \$2,783,062 and \$2,733,554 for 2020 and 2019, respectively. The Merrill Lynch financial advisors and the Anderson Foundation finance committee reviewed and revised the investment policy statement on January 30, 2019.

Under the terms of an agreement with the UNM Board of Regents, the Anderson Foundation provides management oversight for the entire amount invested. The Merrill Lynch investment managers are responsible for implementing the investment transactions in accordance with the current investment policy statement adopted by the Anderson Foundation and meet annually with the finance committee to discuss the status of the account.

The Robert O. Anderson Schools of Management Foundation
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Notes to Financial Statements

Note 5 – Investments (continued)

The basis of determining the fair value of investments is the readily determinable sales price or current exchange rate of the investments based on prices or quotations from over-the-counter markets.

All individual fixed-income securities are limited to no less than “BBB” quality as established by a recognized rating service and further reinforced by independent in-house analyses. U.S. Treasury and U.S. government agencies are qualified for inclusion in the portfolio.

Investment Policy Statement (IPS): On January 30, 2019, the Anderson Foundation Board of Directors approved changes to its Investment Policy Statement (IPS), as recommended by the Anderson Foundation Finance Committee. The IPS outlines roles and responsibilities for all parties involved and provides guidance in supervising, monitoring and evaluating of the Anderson Foundation’s investments. The objective of the IPS is to maximize return with a given amount of risk, maintain purchasing power, create a stream of earnings, and control costs.

Custodial Credit Risk: For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Anderson Foundation will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Mutual funds and external investment pools are not exposed to custodial credit risk or credit quality risk.

A summary of the investments held by the Anderson Foundation at June 30, 2020 and 2019 and the Anderson Foundation’s exposure to custodial credit risk is as follows:

	Fair Value Amounts at June 30,	
	2020	2019
Custodial credit risk		
Government bonds	\$ 251,669	\$ 181,670
Corporate bonds	172,120	173,974
Stocks and related	1,777,509	1,757,747
Mortgage/asset backed securities	158,326	199,144
	<u>2,359,624</u>	<u>2,312,535</u>
Investments not subject to custodial credit risk		
Mutual funds, fixed	423,438	421,019
	<u>\$ 2,783,062</u>	<u>\$ 2,733,554</u>

The Robert O. Anderson Schools of Management Foundation
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Notes to Financial Statements

Note 5 – Investments (continued)

Concentration of Credit Risk – Investments: Concentration risk is the risk of loss attributed to the magnitude of the Anderson Foundation’s investment in a single issuer. An investment in any one issuer that represents 5% or more of total investments is considered to be exposed to concentrated credit risk and is required to be disclosed. Investments issued and explicitly guaranteed by the U.S. government and investments in mutual funds are excluded from this requirement. Currently, the Anderson Foundation has the following strategic allocation ranges in its policy to limit its exposure to concentrated credit risk:

	Strategic Asset Allocation		
	Minimum Percentage	Target Percentage	Maximum Percentage
Cash	0%	5%	10%
Fixed income	15	30	45
Equities	25	65	75
Real assets & alternatives	-	-	15

The Anderson Foundation’s equities investments were not within the maximum range, representing 77% of the total portfolio as of June 30, 2020. All other investments were within the minimum and maximum ranges indicated above at June 30, 2020 and 2019.

As of June 30, 2020 and 2019, the Anderson Foundation has investments in the following investments that represent greater than 5% of the total investments:

	2020	2019
Western Asset Smash Series EC Fund	\$ 189,482	\$ 166,234
Western Asset Smash Series M Fund	132,181	185,144

Foreign Currency Risk: The Anderson Foundation did not hold any investments that were subject to foreign currency risk at June 30, 2020 and 2019.

Interest Rate Risk – Investments: Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. Currently, the Anderson Foundation does not identify interest rate risk in its investment policy. However, the Anderson Foundation manages its exposure to fair value losses arising from increasing interest rates by evaluating investment performance at least annually to determine the continued feasibility of achieving the investment objectives and to mitigate interest rate risk. The evaluation is completed by comparison of the investment’s results to appropriate indexes and peer groups, and the risk associated with the investment, as measured by the variability of quarterly returns, should not exceed that of the benchmark index without corresponding increase in performance of the benchmark or peer group.

The Robert O. Anderson Schools of Management Foundation
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Notes to Financial Statements

Note 5 – Investments (continued)

A summary of the investments held by the Anderson Foundation with exposure to interest rate risk and the respective maturities at June 30, 2020 and 2019 are as follows:

	2020 Investment Maturities				
	Fair Value	Less than 1 year	1-5 years	5-10 years	More than 10 years
Exposed to interest rate risk:					
Corporate bonds	\$ 172,120	\$ 1,015	\$ 36,505	\$ 105,267	\$ 29,333
Government bonds	251,669	4,055	104,597	33,965	109,052
Mortgage/asset backed	158,326	-	13,047	-	145,279
	<u>582,115</u>	<u>\$ 5,070</u>	<u>\$ 154,149</u>	<u>\$ 139,232</u>	<u>\$ 283,664</u>
Not exposed to interest rate risk:					
Mutual funds	423,438				
Stocks and related	<u>1,777,509</u>				
Total investments	<u>\$ 2,783,062</u>				

	2019 Investment Maturities				
	Fair Value	Less than 1 year	1-5 years	5-10 years	More than 10 years
Exposed to interest rate risk:					
Corporate bonds	\$ 173,974	\$ 3,285	\$ 57,150	\$ 75,943	\$ 37,596
Government bonds	181,670	25,061	50,664	21,490	84,455
Mortgage/asset backed	199,144	-	-	-	199,144
	<u>554,788</u>	<u>\$ 28,346</u>	<u>\$ 107,814</u>	<u>\$ 97,433</u>	<u>\$ 321,195</u>
Not exposed to interest rate risk:					
Mutual funds	421,019				
Stocks and related	<u>1,757,747</u>				
Total investments	<u>\$ 2,733,554</u>				

Credit Quality Risk – Investments: Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Anderson Foundation is required to disclose credit ratings of its investments in order to assess credit risk. The Anderson Foundation’s IPS limits credit risk by requiring that individual fixed-income securities to have a credit rating of “BBB” quality or above and ensuring no more than 10% of the market value of the domestic fixed income portfolio.

The Robert O. Anderson Schools of Management Foundation
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Notes to Financial Statements

Note 5 – Investments (continued)

A summary of the Anderson Foundation’s investments at June 30, 2020 and 2019 that are subject to credit risk are as follows:

June 30, 2020					
Credit Rating	Corporate Bonds	Government Bonds	Mortgage/ Asset Backed	Total	Percentage of Bond Portfolio
AAA	\$ 20,158	\$ -	\$ 7,440	\$ 27,598	5%
AA+	-	-	-	-	0%
AA-	14,096	-	-	14,096	2%
A+	1,079	-	-	1,079	0%
A-	44,657	-	-	44,657	8%
BBB+	64,178	-	-	64,178	11%
BBB	16,205	-	-	16,205	3%
BBB-	1,092	-	-	1,092	0%
BB+	10,655	-	-	10,655	2%
Not Rated	-	-	150,886	150,886	26%
U.S. Government Guaranteed	-	251,669	-	251,669	43%
Total	\$ 172,120	\$ 251,669	\$ 158,326	\$ 582,115	100%

June 30, 2019					
Credit Rating	Corporate Bonds	Government Bonds	Mortgage/ Asset Backed	Total	Percentage of Bond Portfolio
AAA	\$ 28,258	\$ -	\$ -	\$ 28,258	5%
AA+	-	-	8,625	8,625	2%
AA-	13,019	-	-	13,019	2%
A-	41,556	-	-	41,556	7%
BBB+	77,625	-	-	77,625	14%
BBB	12,516	-	-	12,516	2%
Not Rated	1,000	-	190,519	191,519	35%
U.S. Government Guaranteed	-	181,670	-	181,670	33%
Total	\$ 173,974	\$ 181,670	\$ 199,144	\$ 554,788	100%

The following schedule summarizes the investment return that are classified as unrestricted in the statements of activities for the years ended June 30:

	2020	2019
Interest/dividend income	\$ 81,459	\$ 58,061
Net unrealized and realized gains	(5,685)	81,294
Total investment income	\$ 75,774	\$ 139,355

The Robert O. Anderson Schools of Management Foundation
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Notes to Financial Statements

Note 5 – Investments (continued)

Fair Value Measurement – The Anderson Foundation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

Level 1 – Inputs are quoted prices (unadjusted) for identical assets in active markets, accessible at the measurement date. Level 1 inputs include exchange markets, dealer markets, brokered markets, and principal-to-principal markets.

Level 2 – Inputs are inputs – other than quoted prices included within Level 1 – that are observable for an asset, either directly or indirectly. Level 2 inputs include quoted prices for similar assets in active markets and quoted prices for identical or similar assets in markets that are not active.

Level 3 – Inputs are unobservable inputs for an asset.

Investments that do not have a readily determinable fair value are recorded using net asset value (NAV). NAV is generally provided by the investment managers but the Foundation considers the reasonableness of the NAV, based on market information, to arrive at the fair value estimates for each investment.

The Anderson Foundation has the following recurring fair value measurements as of June 30, 2020:

	Fair Value Measurement Using			
	Fair Value	Quoted Prices	Significant	Significant
		in Active	Other	Unobservable
		Markets for	Observable	Inputs
		Identical	Inputs	(Level 3)
		Assets	(Level 2)	
		(Level 1)		
Investments held by the Anderson Foundation:				
Mutual funds	\$ 423,438	\$ 423,438	\$ -	\$ -
Corporate bonds	172,120	-	172,120	-
Government bonds	251,669	242,320	9,349	-
Stocks & related	1,777,509	1,777,509	-	-
Mortgage/asset backed	158,326	-	158,326	-
	<u>\$ 2,783,062</u>	<u>\$ 2,443,267</u>	<u>\$ 339,795</u>	<u>\$ -</u>

The Robert O. Anderson Schools of Management Foundation
(A Component Unit of the University of New Mexico)
Notes to Financial Statements

Note 5 – Investments (continued)

The Anderson Foundation has the following recurring fair value measurements as of June 30, 2019:

	Fair Value Measurement Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments held by the Anderson Foundation:				
Mutual funds	\$ 421,019	\$ 421,019	\$ -	\$ -
Corporate bonds	173,974	-	173,974	-
Government bonds	181,670	-	181,670	-
Stocks & related	1,757,747	1,757,747	-	-
Mortgage/asset backed	199,144	-	199,144	-
	<u>\$ 2,733,554</u>	<u>\$ 2,178,766</u>	<u>\$ 554,788</u>	<u>\$ -</u>

Note 6 – Endowments Held by UNM/UNM Foundation

In addition to the funds recorded on the Anderson Foundation's financial statements, UNM/UNM Foundation Endowment Program holds endowed funds and related expendable income funds, which were contributed for the benefit of the Anderson School. The principal and expendable income endowment balances disclosed herein are not recorded in the Anderson Foundation's financial statements.

The principal balance amounted to \$18,394,558 and \$19,141,399 as of June 30, 2020 and 2019, respectively. A portion of the earnings from the endowed funds, in the amount of \$299,417 and \$542,472, respectively, were allocated by UNM Foundation (UNMF) to the expendable income accounts for sponsored faculty research awards, programs, and student scholarships at the Anderson School, as well as for the McKinnon Center for Management (MCM) building, as stipulated by the donors. The Anderson School of Management awarded \$271,650 in student scholarships in 2020.

The quasi-endowment account was established for the Anderson School of Management Building Fund with a \$5,000,000 contribution. Quarterly earnings distributions were made to the expendable income account and additional donations were received. The principal balance amounted to \$731,668 and \$686,723 as of June 30, 2020 and 2019, respectively. The June 30, 2020 balance in the quasi-endowment expendable account is \$104,681. The majority of the principal and spending account balances were transferred during 2016 and 2017 to the UNM plan/design account. Construction on the McKinnon Center for Management began in January 2017 and was opened July 2018.

Risk disclosure information relating to the Foundation's 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.

The Robert O. Anderson Schools of Management Foundation
(A Component Unit of the University of New Mexico)
Notes to Financial Statements

Note 7 – Nonendowed Funds Held by UNM

UNM nonendowed funds, designated for the Anderson School, are available to the Anderson Dean as stipulated by the donors. Only the unrestricted funds and the Business Plan Competition (restricted expendable) are recorded by the Anderson Foundation. Other restricted expendable funds, used to support the Anderson School academic departments, faculty, and student scholarships, are not recorded by the Anderson Foundation.

A detail of nonendowed funds held by UNM (due to the Anderson Foundation or available to the Anderson School) as of June 30, 2020 and 2019 is included below:

	<u>2020</u>	<u>2019</u>
Unrestricted contributions due to the Anderson Foundation	\$ 55,557	\$ 40,768
Restricted expendable funds due to the Anderson Foundation		
- Business Plan Competition account	<u>(590)</u>	<u>12,588</u>
Total due to the Anderson Foundation	54,967	53,356
Other restricted expendable funds available to the Anderson School	<u>505,242</u>	<u>591,427</u>
Total nonendowed funds held by UNM	<u>\$ 560,209</u>	<u>\$ 644,783</u>

Note 8 – Net Position

Restricted net position is available for the following purposes at June 30:

	<u>2020</u>	<u>2019</u>
Programs	\$ 302,902	\$ 283,163
Scholarships	<u>268,638</u>	<u>181,319</u>
Restricted net position	<u>\$ 571,540</u>	<u>\$ 464,482</u>

The Robert O. Anderson Schools of Management Foundation
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Notes to Financial Statements

Note 8 – Net Position (continued)

Unrestricted net position comprises both undesignated and designated funds as follows at June 30:

	2020	2019
Undesignated	\$ 2,580,661	\$ 2,562,296
Designated - board spending	67,234	63,166
Designated - faculty	403,899	558,630
Unrestricted net position	\$ 3,051,794	\$ 3,184,092

Included in unrestricted net position are designated funds that are either funds allocated by the Anderson Foundation Board through the Anderson Dean to the faculty, departments, students, and staff at the UNM Anderson School of Management or are funds generated by faculty consulting activities, special teaching programs, or conferences. These funds may be allocated or received in one fiscal year and spent in another depending on the timing of conferences, equipment purchases, computer and software needs, or faculty sabbaticals.

Note 9 – Risk Management

The Anderson Foundation is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; and errors and omissions and natural disasters. Faculty and staff are employees of UNM. Liability insurance covering the University and its “public employees,” as defined in the New Mexico Tort Claims Act, property and casualty insurance, and workers’ compensation insurance are provided by the Risk Management Division, General Services Department of the State of New Mexico. The Anderson Foundation is also insured through private carriers for liability, casualty, and director and officer liability insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years. Additional medical travel insurance is purchased for student and staff traveling in the EMBA program.

Note 10 – Subsequent Events

Subsequent events are evaluated by management through the date of the accompanying financial statements are available to be issued, which is October 12, 2020.

**The Robert O. Anderson Schools of Management Foundation
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Notes to Financial Statements**

Note 11 – Uncertainties

At the time of this report's release, citizens and the economies of the United States and other countries have been impacted by the coronavirus (COVID-19) pandemic. The World Health Organization declared a Public Health Emergency on January 30, 2020, and a global pandemic on March 11, 2020. The evolution of the virus, the extent of its economic impact and the results of steps taken and yet to be taken by governments and financial institutions are unknown. Governments and businesses may face supply chain disruptions, labor shortages, revenue declines, an increase in bad debts, reduced cash flow, difficulties meeting loan covenants, goodwill and inventory impairment, credit difficulties, and other financial implications. Furthermore, the financial markets have experienced significant declines in the value of investments held at year-end. While such declines may be temporary, investment values are subject to market fluctuations, and the timing of any such recovery is unknown at the present time. The significance and the duration of the pandemic's financial impact are indeterminable. These financial statements do not consider the potential financial implications of the pandemic.

The Robert O. Anderson Schools of Management Foundation
(A Component Unit of the University of New Mexico)
Schedule of Revenues and Expenses –
Executive and Professional Education Center
June 30, 2020

	EMBA Program	MBA-ED Program	Career and Professional Development Programs	GMAT Prep Course	Total
Revenues:					
Student fees	\$ 1,639,214	\$ 504,508	\$ -	\$ -	\$ 2,143,722
Registration fees	-	-	218,158	40,840	258,998
Total revenues	<u>1,639,214</u>	<u>504,508</u>	<u>218,158</u>	<u>40,840</u>	<u>2,402,720</u>
Direct costs:					
Compensation	224,895	312,298	76,949	26,939	641,081
Books/course materials	27,058	13,862	10,261	-	51,181
Consultants	36,992	36	10,377	-	47,405
Computer/office supplies	10,437	1,907	3,528	-	15,872
Dues and memberships	108,532	34,652	10,839	2,802	156,825
Marketing and advertising	29,062	2,066	3,200	-	34,328
Materials and services	41,524	13,739	10,205	1,886	67,354
Meals and facilities	62,708	1,822	510	-	65,040
Parking	15,932	-	10	-	15,942
Postage and printing	3,841	427	1,035	-	5,303
Service agreement	6,287	1,838	1,323	342	9,790
Student fees	119,982	-	-	-	119,982
Training and development	2,224	475	46	-	2,745
Travel and recruiting	11,541	842	246	-	12,629
UNM and UNMF surcharges	3,872	2,004	699	160	6,735
Total direct costs	<u>704,887</u>	<u>385,968</u>	<u>129,228</u>	<u>32,129</u>	<u>1,252,212</u>
Segment net contribution	<u>934,327</u>	<u>118,540</u>	<u>88,930</u>	<u>8,711</u>	<u>1,150,508</u>
Allocated fixed costs:					
Staff compensation	391,093	48,935	40,141	3,932	484,101
Bank charges/credit card/fees	26,007	3,254	2,669	261	32,191
Copier/office supplies	2,339	293	240	24	2,896
Equipment	4,873	610	500	49	6,032
Materials and services	36,426	4,558	3,739	366	45,089
Telephone	4,484	561	460	45	5,550
UNM and UNMF surcharges	2,609	326	268	26	3,229
Total allocated costs	<u>467,831</u>	<u>58,537</u>	<u>48,017</u>	<u>4,703</u>	<u>579,088</u>
Net revenue from Executive and Professional Education Center	<u>\$ 466,496</u>	<u>\$ 60,003</u>	<u>\$ 40,913</u>	<u>\$ 4,008</u>	<u>\$ 571,420</u>

The Robert O. Anderson Schools of Management Foundation
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Schedule of Revenues and Expenses –
Executive and Professional Education Center
June 30, 2019

	EMBA Program	MBA-ED Program	Career and Professional Development Programs	GMAT Prep Course	Total
Revenues:					
Student fees	\$ 1,705,666	\$ 628,225	\$ -	\$ -	\$ 2,333,891
Registration fees	-	-	391,018	38,200	429,218
Total revenues	<u>1,705,666</u>	<u>628,225</u>	<u>391,018</u>	<u>38,200</u>	<u>2,763,109</u>
Direct costs:					
Compensation	204,113	153,849	101,174	18,437	477,573
Books/course materials	105,964	64,879	44,625	1,551	217,019
Consultants	-	-	11,589	450	12,039
Computer/office supplies	747	1,848	2,372	-	4,967
Dues and memberships	2,558	-	-	-	2,558
Marketing and advertising	34,044	4,881	4,489	90	43,504
Materials and services	5,726	453	924	-	7,103
Meals and facilities	92,911	2,909	2,449	-	98,269
Parking	16,489	670	9,456	474	27,089
Postage and printing	813	197	3,161	1,351	5,522
Service agreement	21,786	7,263	4,875	-	33,924
Student fees	152,220	65,918	-	-	218,138
Training and development	1,184	-	99	-	1,283
Travel and recruiting	36,995	575	3,218	-	40,788
UNM and UNMF surcharges	3,500	1,989	10,284	1,529	17,302
Total direct costs	<u>679,050</u>	<u>305,431</u>	<u>198,715</u>	<u>23,882</u>	<u>1,207,078</u>
Segment net contribution	<u>1,026,616</u>	<u>322,794</u>	<u>192,303</u>	<u>14,318</u>	<u>1,556,031</u>
Allocated fixed costs:					
Staff compensation	452,609	166,703	103,759	10,137	733,208
Bank charges/credit card/fees	7,225	2,661	1,656	162	11,704
Copier/office supplies	17,065	6,285	3,912	382	27,644
Equipment	5,221	1,923	1,197	117	8,458
Materials and services	3,117	1,148	715	70	5,050
Telephone	4,352	1,603	998	97	7,050
UNM and UNMF surcharges	2,514	926	575	55	4,070
Total allocated costs	<u>492,103</u>	<u>181,249</u>	<u>112,812</u>	<u>11,020</u>	<u>797,184</u>
Net revenue from Executive and Professional Education Center	<u>\$ 534,513</u>	<u>\$ 141,545</u>	<u>\$ 79,491</u>	<u>\$ 3,298</u>	<u>\$ 758,847</u>

The Robert O. Anderson Schools of Management Foundation
(A Component Unit of the University of New Mexico)
Statement of Functional Expenses
June 30, 2020

	Program Services			Support Services		Total
	Faculty Support	Student Support	Total Program Services	Fundraising Activities	Management and General	
Compensation	\$ 43,357	\$ 4,880	\$ 48,237	\$ 31,709	\$ 22,714	\$ 102,660
Advertising and promotion	809	204	1,013	-	7,259	8,272
Audit and accounting	-	-	-	-	51,980	51,980
Bank charges	-	-	-	2,883	2,080	4,963
Computer supplies	23,469	-	23,469	1,884	4,328	29,681
Dues and memberships	20,439	1,725	22,164	4,310	375	26,849
Equipment	14,708	-	14,708	1,448	3,694	19,850
Insurance	-	-	-	-	5,509	5,509
Materials and services	25,959	2,188	28,146	39,227	73,557	140,930
Meals and facilities	27,086	1,296	28,382	39,132	17,141	84,655
Parking	200	-	200	-	4,972	5,172
Printing and postage	240	21	261	265	6,917	7,443
Publications	-	-	-	-	17,195	17,195
Student and faculty awards	48,350	75,900	124,250	-	-	124,250
Subscription and books	3,146	809	3,955	47,636	-	51,591
Telephone	5	270	275	5,396	-	5,671
Training and development	23,047	2,180	25,227	581	9,489	35,297
Travel	109,291	482	109,773	2,090	19,057	130,920
Total expenses	<u>\$ 340,106</u>	<u>\$ 89,954</u>	<u>\$ 430,060</u>	<u>\$ 176,561</u>	<u>\$ 246,267</u>	<u>\$ 852,888</u>

The Robert O. Anderson Schools of Management Foundation
(A Component Unit of the University of New Mexico)
Statement of Functional Expenses
June 30, 2019

	Program Services			Support Services			Total
	Faculty Support	Business Plan Competition	Student Support	Total Program Services	Fundraising Activities	Management and General	
Compensation	\$ 76,079	\$ -	\$ 10,335	\$ 86,414	\$ -	\$ 89,995	\$ 176,409
Advertising and promotion	1,947	-	1,363	3,310	-	8,991	12,301
Audit and Form 990	-	-	-	-	-	29,126	29,126
Bank charges	-	-	-	-	-	27,478	27,478
Commencement	-	-	-	-	-	7,127	7,127
Computer supplies/software	60,618	-	546	61,164	160	9,286	70,610
Community relations	28,380	-	-	28,380	-	-	28,380
Dues and memberships	21,652	-	2,315	23,967	-	370	24,337
Equipment	38,011	-	1,463	39,474	1,267	261	41,002
Insurance	-	-	-	-	-	5,261	5,261
Materials and services	10,105	-	5,842	15,947	5,446	35,721	57,114
Meals and facilities	18,467	-	16,527	34,994	112,540	20,335	167,869
Parking	5,571	-	2,156	7,727	-	1,097	8,824
Printing and postage	899	-	3,013	3,912	-	6,497	10,409
Publications	-	-	-	-	13,200	-	13,200
Student and faculty awards	7,500	-	5,512	13,012	-	-	13,012
Subscription and books	11,944	-	-	11,944	-	1,472	13,416
Telephone	-	-	-	-	2,757	-	2,757
Training and development	2,488	-	1,369	3,857	-	265	4,122
Travel	221,475	-	19,932	241,407	10,069	2,143	253,619
Washington Campus	-	-	20,800	20,800	-	-	20,800
Total expenses	<u>\$ 505,136</u>	<u>\$ -</u>	<u>\$ 91,173</u>	<u>\$ 596,309</u>	<u>\$ 145,439</u>	<u>\$ 245,425</u>	<u>\$ 987,173</u>

Report of Independent Auditors 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
The Robert O. Anderson Schools of Management Foundation
and Mr. Brian S. Colón, Esq., 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 Robert O. Anderson Schools of Management Foundation (the Anderson Foundation), which comprise the statement of net position as of June 30, 2020, 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 12, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Anderson Foundation's internal control over financial reporting (internal control) as a basis for designing 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 the Anderson Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Anderson Foundation'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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2020-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Anderson Foundation'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 financial statements. 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*.

Anderson Foundation's Response to Findings

Anderson Foundation's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Anderson Foundation's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Mess Adams LLP

Albuquerque, New Mexico
October 12, 2020

The Robert O. Anderson Schools of Management Foundation
(A Component Unit of the University of New Mexico)
Summary of Auditor's Results (As Required by 2.2.2.10 NMAC L(1) (f))
June 30, 2020

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

Yes

No

Yes

None reported

Compliance and other matters noted?

Yes

No

The Robert O. Anderson Schools of Management Foundation
(A Component Unit of the University of New Mexico)
Schedule of Findings and Responses
Year Ended June 30, 2020

**Finding 2020-001 – General Ledger Reconciliation/Financial Close and Reporting Process
Significant Deficiency in Internal Controls**

Criteria – In order to provide timely and accurate financial reports, the general ledger accounts of Anderson Foundation should be reconciled on a timely basis. The reconciliations performed by accounting and finance staff should be approved by supervisory personnel and supported with proper documentation.

A strong system of internal controls ensures that accurate and complete financial statements are prepared in accordance with generally accepted accounting principles (GAAP), including all required disclosures. This can be achieved by producing the financial statements in house, or by outsourcing the function. However, if outsourced, management retains the responsibility to ensure the statements are accurate, complete, and in accordance with GAAP.

Condition/Context – The accounts receivable balance had a significant variance between what was recorded on the Anderson Foundation general ledger as compared to the accounts receivable detail, in the amount of \$85,827. The accounts receivable summary information used to prepare the accounts receivable general ledger balance was as of July 13, 2020, and the detail received to support the balance was as of June 30, 2020. This difference resulted in an audit adjustment to properly state the accounts receivable balance in the financial statements as of June 30, 2020.

Cause – Turnover with in the Anderson Foundation accounting staff resulted in the accounting policies, procedures, and controls to ensure a robust internal control structure governing the general ledger maintenance and the financial close and reporting process not to function as intended.

Effect – The Anderson Foundation assets and revenues were understated by \$85,827 prior to adjustment.

Recommendation – We recommend that the Anderson Foundation accounting policies, procedures and controls be re-examined and improvements should be made to ensure accurate and timely financial statements can be produced and to ensure subsidiary accounts are accurately and timely maintained and reconciled.

Management Response – We have instituted a reconciliation procedure whereby the receivable balance is reconciled at each month end. The report is run by Anderson personnel and reconciled by the Foundation's external accounting services provider. These reconciliations are available for inspection as needed. The procedure and control is in operation as of September 30, 2020

The Robert O. Anderson Schools of Management Foundation
(A Component Unit of the University of New Mexico)
Summary Schedule of Prior Audit Findings
June 30, 2020

No matters were reported

The Robert O. Anderson Schools of Management Foundation
(A Component Unit of the University of New Mexico)
Exit Conference
Year Ended June 30, 2020

An exit conference was held on October 12, 2020. During this meeting, the contents of this report were discussed with the following individuals:

The Robert O. Anderson Schools of Management Foundation

Melissa Nunez, Treasurer and Chair, Finance Committee

Mitzi Montoya, Dean

Gina Urias-Sandoval, Executive Director, EPEC, and EMBA & MBAEd Program Director

Trish Ransom, EPEC

Ignacio Ortiz, Academic Operations Officer

Chris Henderson, REDW - Outsource accounting for the Foundation

Moss Adams LLP

Lisa Todd, Partner

Corrine Zajac-Clarkson, Senior Manager

Michael McGinley, Manager