



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

Financial Statements

June 30, 2011 and 2010

(With Independent Auditors' Report Thereon)

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

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

Official Roster

June 30, 2011

OFFICERS

Ned A. Godshall, Chair
Elizabeth Carlson, Vice-Chair
Joni Pierce, Treasurer
Francis Edwards, Secretary
Deborah Gorenz, Past-Chair

COMMITTEE CHAIRS

Ed Kraft, Chair, Strategic Planning Committee
Ben Miller, Chair, Advancement Committee
Michael A. Mimovich, Chair, Recruiting and Nominating Committee
Joni Pierce, Chair, Finance Committee

EX-OFFICIO MEMBERS

Douglas M. Brown, Dean
Ernest Rodriguez-Naaz, Chief Development Officer

BOARD MEMBERS

Ryan Shell	James W. Rogers, Jr.
Mike Lowrimore	Richard A. Salmon
Keith Bandoni	Mike Rico
Darin Davis	Ed Garcia
Victor Garcia	Henry (Hank) A. Kelly
Michael A. Mimovich	Kenneth Sapon
John Brown	Richard Kilmer
Paul Sowards	Brandon Haines
Barbara "BJ" Jones	Bart Kinney
Joni K. Pierce	Scott W. Throckmorton
John Chavez	Wayne Brown (Advisory only)
Donald A. M. Power	Kim Nunley (Advisory only)
Sheri Milone	Fred W. Winter Jr. (Advisory only)



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

Independent Auditors' Report

The Board of Directors
The Robert O. Anderson Schools of Management Foundation
and
Mr. Hector H. Balderas
New Mexico State Auditor:

We have audited the accompanying basic financial statements of the Robert O. Anderson Schools of Management Foundation (a component unit of the University of New Mexico) (Anderson Foundation) as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Anderson Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The accompanying basic financial statements of the Anderson Foundation as of June 30, 2010 were audited by other auditors whose report thereon dated October 13, 2010 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Anderson Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Anderson Foundation at June 30, 2011, and the changes in its financial position and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2011 on our consideration of the 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit for the year ended June 30, 2011 was conducted for the purpose of forming an opinion on the basic financial statements of the Anderson Foundation taken as a whole. The supplementary information included in Schedules 1 and 2 for the year ended June 30, 2011 is presented for additional analysis, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole for the year ended June 30, 2011. The report of the other auditors referred to above, dated October 13, 2010, stated that the supplementary information for the year ended June 30, 2010, included in Schedules 1 and 2, was subjected to auditing procedures applied in their audit of the 2010 basic financial statements and, in their opinion, was fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2010, taken as a whole.

KPMG LLP

October 14, 2011

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SCHOOLS OF MANAGEMENT FOUNDATION**
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Management's Discussion and Analysis (Unaudited)

June 30, 2011 and 2010

The discussion and analysis of The Robert O. Anderson Schools of Management Foundation (Anderson Foundation) and its financial performance provides an overview of the Anderson Foundation's financial activities for the fiscal years ended June 30, 2011 and 2010. As a component unit of the University of New Mexico (UNM), the Anderson Foundation has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments*.

Overview of the 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, 2011 and 2010, and the following, which comprise the basic financial statements:

1. Balance Sheet
2. Statement of Revenues, Expenses, and Changes in Net Assets
3. Statement of Cash Flows
4. Notes to Financial Statements

The Balance Sheets of the Anderson Foundation provide information about the Anderson Foundation's overall financial status. The Statements of Revenues, Expenses, and Changes in Net Assets 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 more detailed information about amounts reported in the basic financial statements.

Condensed Balance Sheet Information

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current assets	\$ 3,004,968	2,972,866	2,691,608
Other assets	633,697	431,881	554,747
Total assets	<u>\$ 3,638,665</u>	<u>3,404,747</u>	<u>3,246,355</u>
Current liabilities	\$ 1,595,815	1,672,861	1,635,326
Net assets:			
Unrestricted	1,546,575	1,210,045	1,170,798
Restricted expendable	<u>496,275</u>	<u>521,841</u>	<u>440,231</u>
Total net assets	<u>2,042,850</u>	<u>1,731,886</u>	<u>1,611,029</u>
Total liabilities and net assets	<u>\$ 3,638,665</u>	<u>3,404,747</u>	<u>3,246,355</u>

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Assets

A majority of the June 30, 2011, 2010, and 2009 assets are in the form of cash, investments, and accounts receivable. The total balances, included in short-term and long-term investments as of June 30, 2011, 2010, and 2009, are \$1,248,888, \$1,024,195, and \$986,275, respectively. The primary factors contributing to the increase in total investments in fiscal years 2011 and 2010 was the improved performance of the investment portfolio during each of these years.

For most of 2011, the Anderson Foundation maintained around \$150,000 in a checking account at the Wells Fargo Bank, N.A. and the balance of the available funds in a sweep account. All deposits were made into the checking account and funds were transferred daily to or from the dividend earning sweep account also at Wells Fargo. The sweep account was closed in June 2011. The book balances in the checking account as of June 30, 2011, 2010, and 2009 are \$1,232,456, \$183,813, and \$134,592, respectively. The balances in the sweep account as of June 30, 2011, 2010, and 2009 are \$0, \$944,533, and \$1,060,120, respectively. Starting in 2012, approximately \$250,000 will be maintained in the checking account and the balance in an interest-earning savings account.

Accounts receivable at the Anderson Foundation consists primarily of receivables for programs at the Management Development Center (MDC). Approximately 91% of the receivables are for Executive MBA (EMBA) students. There are currently two active EMBA groups. Deferred revenue and receivables are posted for each student at the beginning of the two-year (seven semesters) program. Revenue is recognized monthly based on an estimate of the revenue generated by the students who registered and attended the required classes each semester. A final reconciliation and adjustment to the actual fiscal year revenue is done in June. The deferred (unearned) revenue and unpaid receivables are reversed if the student leaves the program prior to graduation. There were no students during 2011 with unpaid balances considered uncollectible; therefore, the allowance account balance of \$25,000 is sufficient at June 30, 2011. Accounts receivable net of allowance as of June 30, 2011, 2010, and 2009 was \$998,107, \$1,066,927, and \$1,066,689, respectively. The decrease in accounts receivable from 2010 is the result of a smaller MDC class for the 2010-2012 class than for the 2008-2010 class by approximately 12 students. The resulting accounts receivable balance and MDC class sizes were relatively consistent during 2010 and 2009.

Liabilities

At June 30, 2011, approximately 43% of the current liabilities are a payable due to UNM for expenses generated from the EMBA programs, Certificate programs, GRE/GMAT preparation classes, and various faculty and student programs. The expenses include faculty and staff salaries, payroll taxes, and benefits, travel reimbursements, equipment, student fees, and other operating expenses. The accounts payable to UNM decreased several years ago because of a reduction in MDC staff salaries and benefits, the ending of the PMBA program, and the elimination of the customized training programs. The other factor is that financial aid, collected by the bursar's office, is deposited into a Banner index, which reduces the amount owed for the above-listed expenses. The amount due to UNM at year-end June 30, 2011, 2010, and 2009 is \$684,017, \$657,795, and \$772,121, respectively.

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The other significant liability is the deferred revenue from the MDC Executive MBA program. Most of the June 30, 2011 deferred revenue will be recognized as income during the fiscal year ending June 30, 2012 as the students in the 2010-2012 cohort group complete courses. Total deferred revenue as of June 30, 2011 is \$840,242, down from \$931,650 on June 30, 2010. Deferred revenue decreased because the 2010-2012 cohort group (41) is smaller than the 2009-2011 group (53). Deferred revenue as of June 30, 2011 consists of \$779,505 from 2010-2012 EMBA cohort, \$11,860 from students in previous cohorts, and \$48,877 from seat deposits and other prepaid tuition for the 2011-2013 EMBA cohort, which started in July 2011. Deferred revenue as of June 30, 2010 of \$931,650 increased from \$747,865 on June 30, 2009 due to an increase in tuition and the 2009-2011 cohort group was larger than classes from the prior year.

Net Assets

Net assets at the Anderson Foundation consist of three amounts: restricted expendable, board designated, and unrestricted. The restricted expendable funds at the end of fiscal years 2011, 2010, and 2009 are \$496,275, \$521,841, and \$440,231, respectively. The balances in the restricted expendable accounts are designated for various academic departments, programs, scholarships, or student organizations. The restriction on the funds is determined by the donors, student organizations, or a designated program for the Anderson School. The two restricted accounts with the most activity in 2011 and 2010 are the UNM Business Plan Competition (BPC) in the Spring semesters and the newly created Entrepreneurial Challenge in the Fall. The BPC is funded by a number of donors and Technology Innovation Program endowment at UNM. A grant from the McCune Foundation funds the Entrepreneurial Challenge for Fall 2010 and Fall 2011.

The board-designated funds are either funds allocated by the Anderson Foundation Board through the Anderson Dean to the faculty, departments, and staff at the UNM Anderson School of Management or are funds generated by faculty consulting activities, special teaching programs, or conferences. Funds in the accounts may be allocated or 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. Balances in the board-designated funds are \$418,865, \$402,924, and \$502,904 as of June 30, 2011, 2010 and 2009, respectively. These balances did not significantly change during fiscal year 2011, however, board-designated funds did decrease by \$99,980 during 2010 due to increased spending of board-designated funds during 2010.

Unrestricted funds are primarily from unrestricted contributions or net revenues generated by the activities of the MDC. The MDC is a self-supporting department within the Anderson Foundation, offering a variety of educational products, including the EMBA program, nondegree certificate programs, and GRE/GMAT preparation classes for potential Anderson EMBA, MBA, and Masters of Accounting students. A portion of the estimated net revenues for the fiscal year is allocated to the Dean of the Anderson School, who allocates funds to the academic departments, individual faculty, staff, and students. If net revenues exceed the estimated allocations, unrestricted funds become part of the unrestricted net assets. The increase in unrestricted net assets during fiscal years 2011 and 2010 of \$336,530 and \$39,247, respectively, is primarily related to the improved performance of the investment portfolio during each of these years.

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating revenues:			
Management Development Center (MDC) operations:			
Revenues	\$ 2,155,300	1,917,141	1,939,532
Expenses	<u>(1,567,822)</u>	<u>(1,367,985)</u>	<u>(1,498,566)</u>
Net revenue from MDC operations	587,478	549,156	440,966
Other revenues and support	<u>458,616</u>	<u>410,395</u>	<u>646,122</u>
Operating revenues and other support	<u>1,046,094</u>	<u>959,551</u>	<u>1,087,088</u>
Operating expenses:			
Program services	605,765	608,651	717,464
Fundraising activities	134,258	95,161	84,528
Management and general	<u>176,138</u>	<u>164,580</u>	<u>149,894</u>
Total expenses	<u>916,161</u>	<u>868,392</u>	<u>951,886</u>
Operating income	<u>129,933</u>	<u>91,159</u>	<u>135,202</u>
Nonoperating revenues (expenses):			
Investment activities	195,126	79,698	(96,688)
Transfer to UNM Foundation	<u>(14,095)</u>	<u>(50,000)</u>	<u>(13,000)</u>
Net nonoperating revenues (expenses)	<u>181,031</u>	<u>29,698</u>	<u>(109,688)</u>
Increase in net assets	310,964	120,857	25,514
Net assets, beginning of year	<u>1,731,886</u>	<u>1,611,029</u>	<u>1,585,515</u>
Net assets, end of year	<u>\$ 2,042,850</u>	<u>1,731,886</u>	<u>1,611,029</u>

Operating Revenues

Revenue from the MDC is approximately 84% of the Anderson School Foundation 2011 gross income. Approximately 84% of the MDC revenue is generated from the Executive MBA program. The increase in the revenue generated by the EMBA program between 2011, 2010, and 2009, \$1,804,324, \$1,670,388, and \$1,494,663, respectively, can be attributed to the increase in tuition, the number of continuing students in the 2009-2011 cohort, and an increase in the number of students on the international trip. Other educational products offered by the MDC include a number of nondegree certificate programs and GRE/GMAT preparatory classes. There was a significant increase in both the certificate program (34%) and the GRE/GMAT (73%) from 2010 to 2011. The increase in certificate revenue is largely due to an increase in the enrollment and sections offered and a \$40,000 contract with Los Alamos National Labs (LANL) to offer training from the various certificate programs. The GRE preparation classes started in 2008-2009 after the Anderson faculty agreed to accept either the GMAT

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or the GRE test for admissions into the various Anderson masters programs: EMBA, MBA, and Masters of Accounting. The GRE and GMAT preparation classes were combined in 2010, with four classes offered in 2011, compared to three in 2010. Enrollments in the GRE/GMAT classes also increased in 2011.

Other revenues at the Anderson Foundation include unrestricted donations, small faculty consulting projects, conferences, and fundraising events, such as the annual Hall of Fame Event. In addition to regular table sales at the 2011 Hall of Fame, guests were asked to contribute to a student scholarship endowment held at UNM/UNM Foundation. The Hall of Fame endowed scholarship was created in 2010 by a number of the previous recipients of the Anderson Hall of Fame award. Other revenue increased by \$48,221 during 2011 and decreased by \$235,727 during 2010 primarily due to the state of the economy and its effect on fundraising activities.

Operating Expenses

The MDC is a self-supporting department within the Anderson Foundation. Faculty, staff, and students working for the MDC are considered employees of The University of New Mexico. The salaries, payroll taxes, and UNM benefits for the faculty teaching in the various programs, staff, and students account for more than half of the total expenditures. Expenditures for the MDC were \$1,567,822 in 2011, \$1,367,985 in 2010, and \$1,498,566 in 2009. Staff salaries were up slightly in 2011 because the MDC added a unit administrator to the staff. EMBA faculty salaries increased in 2011 because a faculty director from the Anderson School faculty was hired and paid a special administrative component to assist in the management of the MDC and the amount paid for certain courses increased. The faculty salaries for the certificate programs and the GMAT courses increased because additional courses were offered. Other expenses that increased in 2011 were marketing and advertising, travel and recruiting (including the international trip), and bad debt expense. The lower costs in 2010 can be attributed to a number of changes at the MDC: (1) the PMBA program ended in Fall 2008, so there were no expenses, such as salaries, student fees, books, etc., associated with the program in 2010; (2) GRE and GMAT classes were combined in 2010, so the salary and benefits for the instructor were reduced; (3) less students attended the international trip in 2010 than in 2011 and 2009; (4) there was no bad debt expense in 2010 since 2008-2010 graduating students were in good standing. Staff salaries were down in 2009 because of a hiring freeze at UNM and a staff member who left during 2009 could not be replaced.

Other major expenditures include books and course materials, marketing and advertising, meals and facilities, and student fees paid to UNM for the EMBA students to use UNM libraries and other facilities. Marketing and advertising costs increased and postage/printing decreased in 2011 because of the use of media. Meals and facilities expense increased significantly between 2009 and 2010 because of an increase in recruiting open houses and an increase in the graduation ceremony expenses. UNM student fees for EMBA students were up slightly in 2011 because of the larger 2009-2011 class and down in 2009 because of the smaller 2008-2010 EMBA class and the end of the PMBA class in December 2008. Changes to the marketing plan and more electronic advertising resulted in a reduction to the marketing/advertising and postage/printing costs in 2009 and 2010.

Expenditures outside the MDC include administrative and fundraising costs. In addition, funds are allocated to faculty, students, and staff at the Anderson School of Management for a variety of programs and activities. Expenditures for students include Washington Campus, student orientation, career fairs, and scholarships. Faculty allocations are used for various professional conferences and development, equipment, computers, and

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software to support faculty teaching and research. For the last few years, Anderson staff were allocated \$25,000 annually for professional development, workshops, and conferences. Fundraising costs include the annual Hall of Fame dinner, donor cultivation, and newsletters to alumni and donors. Non-MDC operating expenses were \$916,161, \$868,392, and \$951,886 at June 30, 2011, 2010, and 2009, respectively. The fluctuation in these balances is primarily related to the state of the economy and the cost of fundraising events such as the Hall of Fame dinner.

Nonoperating Revenues and Expenses

The Anderson Foundation investments are managed by Wells Fargo according to the Investment Policy (IPS) approved by the Anderson Foundation Board in April 2007 and revised in April 2010. Investment earnings increased \$115,428 during 2011 and \$176,386 during 2010, respectively, as a result of an improved performance of the investment portfolio.

In 2011, attendees at the annual Hall of Fame were asked to donate to the Anderson Hall of Fame endowed student scholarship account. Contributions were received through both the Anderson Foundation and the UNM Foundation to go to the endowment. Contributions from various donors, in the amount of \$14,095, were deposited in the Anderson Foundation checking account to be transferred to the endowment at UNM.

In 2010, the Anderson School Foundation Board approved \$50,000 in matching funds to start an endowment to benefit the Anderson Marketing Center and marketing students. The entire amount of the Anderson Board commitment was transferred to the UNM Foundation to establish the endowment. The pledge from the donor will be paid over the next five years.

Factors Impacting Future Periods and Subsequent Events

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

Subsequent to June 30, 2011, the Anderson Foundation received a verbal pledge from a donor of approximately \$5,000,000. This amount is scheduled to be paid over the next three years.

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Contacting the Anderson Foundation's Financial Management

This report is meant to accurately 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
1924 Las Lomas NE
Albuquerque, NM 87131
505-277-4234

**THE ROBERT O. ANDERSON
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Balance Sheets

June 30, 2011 and 2010

Assets	2011	2010
Current assets:		
Cash and cash equivalents	\$ 1,244,649	1,170,211
Short-term investments	615,191	592,314
Accounts receivable, less allowance for doubtful receivables of \$25,000 in 2011 and \$24,302 in 2010	998,107	1,066,927
Due from The University of New Mexico – unrestricted donations	121,190	113,146
Inventory – MDC textbooks	21,646	27,445
Promotion items on hand	4,185	2,823
Total current assets	3,004,968	2,972,866
Long-term investments	633,697	431,881
Total assets	\$ 3,638,665	3,404,747
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 56,961	83,416
Due to The University of New Mexico Foundation	14,595	—
Due to The University of New Mexico	684,017	657,795
Deferred revenue	840,242	931,650
Total current liabilities	1,595,815	1,672,861
Net assets:		
Unrestricted	1,546,575	1,210,045
Restricted expendable	496,275	521,841
Total net assets	2,042,850	1,731,886
Total liabilities and net assets	\$ 3,638,665	3,404,747

See accompanying notes to financial statements.

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Statements of Revenues, Expenses, and Changes in Net Assets

June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating revenues and other support:		
Management Development Center revenues	\$ 2,155,300	1,917,141
Management Development Center expenses	<u>(1,567,822)</u>	<u>(1,367,985)</u>
Net revenue from Management Development Center operations	587,478	549,156
Contributions	160,651	179,648
Consulting and conference revenue	172,690	166,853
Fundraising events	96,095	39,454
Other income	29,180	22,190
In-kind contributions	—	2,250
Total operating revenues and other support	<u>1,046,094</u>	<u>959,551</u>
Operating expenses:		
Program services	605,765	608,651
Fundraising activities	134,258	95,161
Management and general	<u>176,138</u>	<u>164,580</u>
Total operating expenses	<u>916,161</u>	<u>868,392</u>
Operating income	<u>129,933</u>	<u>91,159</u>
Nonoperating revenues and expenses:		
Interest/dividend income	34,239	22,683
Net unrealized and realized gains on investments	160,887	57,015
Transfer to UNM Foundation	<u>(14,095)</u>	<u>(50,000)</u>
Net nonoperating revenues and expenses	<u>181,031</u>	<u>29,698</u>
Increase in net assets	310,964	120,857
Net assets, beginning of year	<u>1,731,886</u>	<u>1,611,029</u>
Net assets, end of year	<u><u>\$ 2,042,850</u></u>	<u><u>1,731,886</u></u>

See accompanying notes to financial statements.

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Statements of Cash Flows

June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Receipts from Management Development Center	\$ 2,167,433	2,040,688
Receipts from other revenues and support	415,852	315,291
Payments to The University of New Mexico	(657,794)	(772,121)
Payments to outside vendors	(1,836,579)	(1,600,337)
Net cash from operating activities	<u>88,912</u>	<u>(16,479)</u>
Cash flows from noncapital financing activity:		
Transfers to UNM Foundation	(14,095)	(50,000)
Net cash from noncapital financing activities	<u>(14,095)</u>	<u>(50,000)</u>
Cash flows from investing activities:		
Investments purchased	(823,602)	(997,599)
Investments proceeds	788,984	1,016,694
Cash receipts from investment income	34,239	22,683
Net cash from investing activities	<u>(379)</u>	<u>41,778</u>
Net increase (decrease) in cash and cash equivalents	74,438	(24,701)
Cash and cash equivalents, beginning of year	<u>1,170,211</u>	<u>1,194,912</u>
Cash and cash equivalents, end of year	<u>\$ 1,244,649</u>	<u>1,170,211</u>
Reconciliation of changes in net assets to net cash from operating activities:		
Operating income	\$ 129,933	91,159
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Changes in assets and liabilities:		
Accounts receivable	68,821	(60,238)
Due from UNM	(8,044)	(92,854)
Inventory – MDC textbooks	5,799	4,119
Promotional items on hand	(1,362)	3,800
Accounts payable	(26,455)	(31,924)
Due to The University of New Mexico	26,223	(114,326)
Due to The University of New Mexico Foundation	(14,595)	—
Deferred revenues	(91,408)	183,785
Net cash from operating activities	<u>\$ 88,912</u>	<u>(16,479)</u>

See accompanying notes to financial statements.

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Notes to Financial Statements

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(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, a masters level degree program, and funding for various faculty fellowships/lectureships/professorships, student support, and research grants.

(2) Summary of Significant Accounting Policies

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

(a) Accounting Standards

A Memorandum of Agreement (MOA), dated June 21, 2007, between the Anderson Foundation and UNM was signed and executed in August 2007. As a result of signing the MOA, the Anderson Foundation, a component unit of the University of New Mexico, prepares its financial statements in accordance with the accounting disclosure and reporting requirements under Governmental Accounting Standards Board (GASB) pronouncements, as the Anderson Foundation meets the criteria of a governmental entity. The Anderson Foundation has no component units.

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

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 Management Development Center (MDC) 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 assets.

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(b) *Net Assets*

Unrestricted net assets represent resources whose use is not limited or restricted by donors. Unrestricted net assets have arisen from exchange transactions, receipt of unrestricted contributions, and expirations of existing restrictions. Restricted expendable 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 net assets for support of faculty and department activities.

Restricted expendable net assets represent resources whose use is limited by donors for the support of the academic activities of University of New Mexico faculty and/or students. Such restrictions are legally enforceable. Restricted expendable net assets are released from restriction as their purpose restrictions are met. When both restricted and unrestricted funds are available, restricted funds are expended first.

(c) *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.

(d) *Concentrations of Credit Risk*

The Anderson Foundation maintains cash accounts and repurchase agreements with a local financial institution. Such deposits are subject to applicable deposit insurance coverage as provided by the Federal Deposit Insurance Corporation. The repurchase agreements ended in June 2011.

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

(e) *Inventories*

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

(f) *Equipment and Depreciation*

Since 1995, the Anderson Foundation donates capital acquisitions that can be listed as inventory at the UNM (all computers and any furniture or equipment with a cost greater than \$1,000) to the Anderson School at the UNM. Donated acquisitions are maintained on the UNM inventory list and depreciated according to UNM policies. Donated long-lived assets are capitalized at their fair values at the date of donation.

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(g) 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 assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets 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.

(h) Income Taxes

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

(i) 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 MDC's nondegree educational programs (certificate and GRE/GMAT). Revenue is recognized as cash is received. In past years, the MDC had educational contracts with various New Mexico businesses. Occasionally the MDC will do customized training for a business, based on the certificate programs. The revenue and expenses from the customized training is included in the certificate programs.

The EMBA is a two-year academic program with participants earning a Master's of Business Administration degree from The University of New Mexico. Tuition revenue for the program 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 program are recorded as receivable and deferred revenue from the individual student. Revenue is recognized monthly for the credit hours taken during the fiscal year. As revenue is recognized, deferred revenue is reduced. Deferred revenue at year-end represents the amount of tuition and fees anticipated for the second year of the program for the most current classes.

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.

(j) Operating Expenses

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

(k) Estimates

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

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(l) Advertising Costs

The Anderson Foundation expenses advertising costs as incurred. Advertising expense in 2011 and 2010 totaled \$45,445 and \$46,700 for program and support services, and \$100,109 and \$86,532 for the MDC, respectively.

(m) Reclassifications

Certain reclassifications have been made in the 2010 financial statements to conform to the 2011 presentation.

(3) Related-Party Transactions

As of June 30, 2011 and 2010, the Anderson Foundation has net accounts payable of \$684,017 and \$657,795, 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.

(4) Cash and Cash Equivalents

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

Name of depository	Account name	Account type	Bank balance	Reconciling items	Reconciled balance
Petty cash	—	—	\$ 200	—	200
Wells Fargo	Operating	Cash	1,241,826	(9,370)	1,232,456
Wells Fargo	Department	Money market	11,993	—	11,993
			<u>\$ 1,254,019</u>	<u>(9,370)</u>	<u>1,244,649</u>

A detail of the cash accounts at June 30, 2010 is as follows:

Name of depository	Account name	Account type	Bank balance	Reconciling items	Reconciled balance
Petty cash	—	—	\$ 200	—	200
Wells Fargo	Operating	Cash	155,087	28,726	183,813
Wells Fargo	Sweep	Cash	944,778	(245)	944,533
Wells Fargo	Department	Money market	41,665	—	41,665
			<u>\$ 1,141,730</u>	<u>28,481</u>	<u>1,170,211</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.

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The Anderson Foundation had \$1,253,819 and \$1,141,530 on deposit with a local financial institution at June 30, 2011 and 2010, respectively. These balances were insured by the Federal Deposit Insurance Corporation up to \$250,000 in 2011 and 2010. The uninsured and uncollateralized amount at risk as of June 30, 2011 and 2010 was \$1,003,819 and \$891,530, respectively. The Anderson Foundation does not require collateral on its cash deposits. Money market funds are money market mutual funds and not subject to custodial credit risk.

(5) Endowments Held by the UNM Foundation

In addition to the funds recorded on the Anderson Foundation's financial statements, the UNM/UNM Foundation Endowment Program holds endowment funds and related expendable income funds, which have been contributed for the benefit of the Anderson School. The principal balances amounted to \$13,261,178 and \$11,801,907 as of June 30, 2011 and 2010, respectively. A portion of the earnings from the funds, in the amount of \$593,037 and \$528,318, respectively, was allocated to the spending accounts for sponsored faculty positions and student scholarships at the Anderson School, as stipulated by the donor. The UNM Foundation (UNMF) changed the process for allocating earnings to the spending accounts in 2011. In past years, the entire allocation for the fiscal year was posted June 30 for use in the next fiscal year. Starting in 2011, UNMF allocated quarterly estimates for the first three quarters. The final annual allocation was determined and adjustments were made in the fourth quarter allocation on June 30.

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 the University of New Mexico. That report may be obtained by contacting the Controller's office at UNM Business Center, 1700 Lomas NE, Albuquerque, New Mexico 87131-0311.

(6) UNM Foundation Current Funds

There are also current unrestricted and restricted funds designated for the Anderson School available through the UNM Foundation in the CIF. The unrestricted, as well as the Business Plan Competition (restricted), contributions/revenue and expenses are recorded by the Anderson Foundation. Other restricted funds are spent by the Anderson departments, faculty, and student scholarships, as stipulated by the donors and are not recorded by the Anderson Foundation.

The UNM Foundation shows a net balance as of June 30, 2011 and 2010 of \$116,901 and \$108,188 in unrestricted contributions. The net balance in the Business Plan Competition account at UNM Foundation on June 30, 2011 is \$4,289. The net unrestricted contributions and the Business Plan Competition net balance are in as a due from UNM asset in the accompanying balance sheet of the Anderson Foundation. The total amount of nonendowed funds at the UNM Foundation in 2011 and 2010 is \$640,298 and \$646,339, respectively. Included are restricted resources of \$519,109 and \$533,193 for June 30, 2011 and 2010, respectively, available to the Anderson School, which are not recorded in the Anderson Foundation.

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(7) Investments

The Anderson Foundation has an investment account with Wells Fargo Bank-Wealth Management of \$1,248,888 and \$1,024,195 for June 30, 2011 and 2010, respectively. Short-term investments are stated at fair value. Long-term investments are stated at fair value and consist of government and corporate obligations. Cash and cash equivalents in the investment account are included in the total cash and cash equivalents on the balance sheet.

At June 30, 2011 and 2010, the Anderson Foundation held its cash and cash equivalents and investments in the Wells Fargo investment account. Under the terms of an agreement with the UNM Board of Regents, the Anderson Foundation provides management oversight for the entire amount invested. The Wells Fargo investment managers are responsible for implementing the investment transactions in accordance with the investment policy statement adopted by the Anderson Foundation and meet annually with the finance committee to discuss the status of the account.

Exclusive of the U.S. government and agency issues, 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, which are rated “AAA,” are qualified for inclusion in the portfolio. No more than 10% of the market value of fixed income portfolio shall be less than single “A” quality.

Investment Policy Statement (IPS): In April 2010, the Anderson Foundation Board of Directors approved changes to Investment Policy Statement (IPS). The IPS has been written to assist in the supervising, monitoring, and evaluating of the Foundation investments. The IPS is to provide financial stability for the Anderson Foundation programs, operations, and an increasing stream of income for future program growth.

Custodial Credit Risk and Credit Quality 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.

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A summary of the investments held by the Anderson Foundation at June 30, 2011 and 2010 and the Anderson Foundation's exposure to custodial credit risk is as follows:

	Fair value amounts at	
	June 30, 2011	June 30, 2010
U.S. government agency securities	\$ —	51,844
Corporate obligations	105,015	181,427
Total securities held by custodians	105,015	233,271
Mutual funds not subject to custodial credit risk	993,074	693,331
Real estate funds	150,799	97,593
	\$ 1,248,888	1,024,195

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; however, none of the Anderson Foundation investments meet the criteria for disclosure except for the corporate obligations. All of the corporate obligations at June 30, 2011 and 2010 had a Standard & Poor's A rating.

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Concentration of Credit Risk – Investments: Concentration risk is the risk of loss attributed to the magnitude of the 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:

	<u>Lower limit</u>	<u>Strategic allocation</u>	<u>Upper limit</u>
Cash	1	2	15
Equities:			
Domestic Large Cap equities	15	20	55
Domestic Mid Cap equities	—	4	20
Domestic Small Cap equities	—	3	10
International equities	4	9	20
Emerging Market equities	—	—	7
Real Estate Investment Trusts	—	4	15
Fixed income:			
Domestic	35	52	74
International	—	—	15
High yield	—	6	15
Alternative investments	—	—	10

As of June 30, 2011, the Association did not have any investments in one issuer that represented more than 5% of total investments.

As of June 30, 2010, the Anderson Foundation has investments in following corporate obligations that are greater than 5% of the total investments:

Goldman Sachs Group, Inc.	
Moody’s Rating: A1	
Standard & Poor’s Rating: A	\$ 52,795

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

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exceed that of the benchmark index without corresponding increase in performance of the benchmark or peer group.

Fair value at June 30, 2011 and 2010 is summarized as follows:

		2011 Investment maturities				
		Fair value	Less than 1 year	1 – 5 years	5 – 10 years	More than 10 years
Exposed to interest rate risk:						
Corporate obligations	\$	105,015	—	105,015	—	—
		<u>105,015</u>	<u>—</u>	<u>105,015</u>	<u>—</u>	<u>—</u>
Not exposed to interest rate risk:						
Mutual funds		993,074				
Real estate funds		<u>150,799</u>				
Total investments	\$	<u><u>1,248,888</u></u>				

		2010 Investment maturities				
		Fair value	Less than 1 year	1 – 5 years	5 – 10 years	More than 10 years
Exposed to interest rate risk:						
Government obligations	\$	51,844	—	51,844	—	—
Corporate obligations		<u>181,427</u>	<u>101,647</u>	<u>79,780</u>	<u>—</u>	<u>—</u>
		233,271	101,647	131,624	—	—
Not exposed to interest rate risk:						
Mutual funds		693,331				
Real estate funds		<u>97,593</u>				
Total investments	\$	<u><u>1,024,195</u></u>				

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The following schedule summarizes the investment return and its classification in the statements of activities for the years ended:

	June 30, 2011			June 30, 2010		
	Unrestricted	restricted expendable	Total	Unrestricted	restricted expendable	Total
Interest/dividend income	\$ 34,239	—	34,239	22,683	—	22,683
Realized gains (loss)	13,807	—	13,807	(10,954)	—	(10,954)
Unrealized gains	147,080	—	147,080	67,969	—	67,969
Total investment income	\$ 195,126	—	195,126	79,698	—	79,698

(8) Net Assets

Restricted expendable net assets are available for the following purposes:

	2011	2010
Programs	\$ 284,661	323,812
Scholarships	211,614	198,029
Restricted expendable net assets	\$ 496,275	521,841

Unrestricted net assets comprise both undesignated and board-designated net assets as follows:

	2011	2010
Undesignated	\$ 1,127,710	807,121
Board designated	418,865	402,924
Unrestricted net assets	\$ 1,546,575	1,210,045

(9) Insurance Coverage

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 the 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.

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Schedule of Revenues and Expenses – Management Development Center

June 30, 2011

	EMBA Program	Certificate Programs	GMAT Prep Course	Total
Revenues:				
Student fees	\$ 1,804,324	—	—	1,804,324
Registration fees	—	258,682	92,294	350,976
Total revenues	<u>1,804,324</u>	<u>258,682</u>	<u>92,294</u>	<u>2,155,300</u>
Direct costs:				
Compensation	217,914	73,399	47,301	338,614
Bad debt expense	13,537	—	—	13,537
Books/course materials	135,512	27,167	664	163,343
Consultants	1,100	10,400	—	11,500
Computer/office supplies	4,184	130	—	4,314
Dues and memberships	1,970	—	—	1,970
Equipment	—	—	—	—
Marketing and advertising	83,408	16,701	—	100,109
Materials and services	8,281	1,414	15	9,710
Meals and facilities	110,105	9,580	—	119,685
Parking	19,701	6,506	—	26,207
Postage and printing	6,239	9,996	851	17,086
Student fees	149,670	—	—	149,670
Telephone	927	33	—	960
Training and development	6,320	80	—	6,400
Travel and recruiting	136,984	3,469	—	140,453
Total direct costs	<u>895,852</u>	<u>158,875</u>	<u>48,831</u>	<u>1,103,558</u>
Segment contribution	<u>908,472</u>	<u>99,807</u>	<u>43,463</u>	<u>1,051,742</u>
Allocated fixed costs:				
Staff compensation	377,112	49,062	5,451	431,625
Copier/office supplies	18,287	2,151	1,076	21,514
Equipment	3,912	460	230	4,602
Materials and services	174	25	12	211
Telephone	5,170	608	304	6,082
Dues and membership	—	230	—	230
Total allocated costs	<u>404,655</u>	<u>52,536</u>	<u>7,073</u>	<u>464,264</u>
Net revenue from Management Development Center	<u>\$ 503,817</u>	<u>47,271</u>	<u>36,390</u>	<u>587,478</u>

See accompanying independent auditors' report.

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Schedule of Revenues and Expenses – Management Development Center

June 30, 2010

	EMBA Program	Certificate Programs	GMAT Prep Course	Total
Revenues:				
Student fees	\$ 1,670,388	—	—	1,670,388
Registration fees	—	193,295	53,458	246,753
Total revenues	<u>1,670,388</u>	<u>193,295</u>	<u>53,458</u>	<u>1,917,141</u>
Direct costs:				
Compensation	173,110	50,767	27,784	251,661
Bad debt expense	—	—	—	—
Books/course materials	133,411	28,274	2,850	164,535
Consultants	320	10,000	—	10,320
Computer/office supplies	6,994	540	—	7,534
Dues and memberships	—	—	—	—
Equipment	10,143	292	—	10,435
Marketing and advertising	46,849	37,931	1,752	86,532
Materials and services	4,396	617	55	5,068
Meals and facilities	113,812	9,113	459	123,384
Parking	23,255	2,642	1,320	27,217
Postage and printing	15,495	5,428	901	21,824
Student fees	141,980	—	—	141,980
Telephone	1,168	37	—	1,205
Training and development	1,518	—	—	1,518
Travel and recruiting	88,459	676	—	89,135
Total direct costs	<u>760,910</u>	<u>146,317</u>	<u>35,121</u>	<u>942,348</u>
Segment contribution	<u>909,478</u>	<u>46,978</u>	<u>18,337</u>	<u>974,793</u>
Allocated fixed costs:				
Staff compensation	332,250	57,124	6,347	395,721
Copier/office supplies	14,458	1,701	850	17,009
Equipment	2,421	285	142	2,848
Materials and services	360	42	22	424
Telephone	8,190	964	481	9,635
Total allocated costs	<u>357,679</u>	<u>60,116</u>	<u>7,842</u>	<u>425,637</u>
Net revenue from Management Development Center	<u>\$ 551,799</u>	<u>(13,138)</u>	<u>10,495</u>	<u>549,156</u>

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Statement of Functional Expenses

June 30, 2011

	Program services			Support services		Total
	Faculty support	Student support	Total program services	Management and general	Fundraising activities	
Compensation	\$ 23,537	46,939	70,476	32,807	—	103,283
Advertising and promotion	901	26,604	27,505	17,346	594	45,445
Audit and accounting	—	—	—	21,400	—	21,400
Bank charges	—	—	—	28,703	—	28,703
Business plan award	—	42,500	42,500	—	—	42,500
Commencement	—	—	—	6,390	—	6,390
Computer supplies	22,273	944	23,217	1,445	1,887	26,549
Conference expenses	18,049	12,690	30,739	—	—	30,739
Dues and memberships	17,622	1,644	19,266	2,556	—	21,822
Equipment	47,537	195	47,732	1,999	—	49,731
Honoraria	11,127	374	11,501	—	—	11,501
Insurance	—	—	—	3,710	—	3,710
Materials and services	8,576	15,883	24,459	8,400	1,554	34,413
Meals and facilities	31,278	21,066	52,344	24,696	101,511	178,551
Parking	—	—	—	5,478	—	5,478
Printing and postage	1,596	3,639	5,235	6,620	1,918	13,773
Publications	—	—	—	—	20,142	20,142
Student and faculty awards	—	34,260	34,260	—	—	34,260
Subscription and books	20,442	—	20,442	1,438	—	21,880
Telephone	2,586	—	2,586	2,880	3,086	8,552
Training and development	11,777	—	11,777	2,627	—	14,404
Travel	167,452	14,274	181,726	7,643	3,566	192,935
Total expenses	\$ <u>384,753</u>	<u>221,012</u>	<u>605,765</u>	<u>176,138</u>	<u>134,258</u>	<u>916,161</u>

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Statement of Functional Expenses

June 30, 2010

	Program services			Support services		Total
	Faculty support	Student support	Total program services	Management and general	Fundraising activities	
Compensation	\$ 59,665	12,416	72,081	31,056	—	103,137
Advertising and promotion	6,725	16,448	23,173	22,350	1,177	46,700
Audit and accounting	—	—	—	20,306	—	20,306
Bank charges	—	—	—	25,064	—	25,064
Business plan award	—	30,000	30,000	—	—	30,000
Commencement	—	—	—	7,747	—	7,747
Computer supplies	24,646	1,072	25,718	617	737	27,072
Conference expenses	33,927	27,617	61,544	—	—	61,544
Dues and memberships	16,025	1,030	17,055	4,665	—	21,720
Equipment	29,994	402	30,396	1,307	—	31,703
Honoraria	4,493	697	5,190	—	—	5,190
Insurance	—	—	—	3,810	—	3,810
Materials and services	13,263	13,067	26,330	11,254	3,322	40,906
Meals and facilities	19,623	13,064	32,687	18,623	64,800	116,110
Parking	—	—	—	5,691	—	5,691
Printing and postage	4,262	2,438	6,700	3,912	2,643	13,255
Publications	—	—	—	—	15,339	15,339
Student and faculty awards	—	17,994	17,994	—	—	17,994
Subscription and books	23,277	—	23,277	1,734	—	25,011
Telephone	1,554	—	1,554	2,066	2,980	6,600
Training and development	4,985	—	4,985	3,085	—	8,070
Travel	227,381	2,586	229,967	1,293	4,163	235,423
Total expenses	\$ 469,820	138,831	608,651	164,580	95,161	868,392

See accompanying independent auditors' report.



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

**Independent Auditors' Report on Internal Control over Financial
Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Board of Directors
The Robert O. Anderson Schools of Management Foundation
and
Mr. Hector H. Balderas
New Mexico State Auditor:

We have audited the basic financial statements of the Robert O. Anderson Schools of Management Foundation, a component unit of the University of New Mexico (Anderson Foundation), as of and for the year ended June 30, 2011, and have issued our report thereon dated October 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Anderson Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Anderson Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Anderson Foundation's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Anderson Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance

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

We noted one matter that is required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of findings and responses as item 2011-01.

The Anderson Foundation's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Anderson Foundation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the executive committee, board of directors, management, the University of New Mexico, and the New Mexico State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

October 14, 2011

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

Schedule of Findings and Responses

June 30, 2011

Prior Year Findings

None

Current Year Findings

2011-01 Journal Entries – Other

Condition

The Anderson Foundation's financial statements did not include all closing entries before the audit began. There were 23 client-prepared entries recorded during audit field work. In addition, we noted that journal entries are not independently reviewed and approved by someone other than the preparer.

Criteria

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

Cause

Due to lack of a full-time accountant dedicated to the Anderson Foundation, there are not sufficient personnel to both prepare and review closing journal entries in a timely manner.

Effect

Anderson Foundation may not have the ability to prevent and detect misstatements in its financial statements, which could potentially result in incorrect information for management and outside users.

Recommendation

We recommend that Anderson Foundation ensure that all closing entries be posted prior to the commencement of the audit. We further recommend that all journal entries throughout the year including closing entries be independently reviewed and approved by someone other than the preparer and that evidence of this review be documented and maintained.

Management Response

Anderson Foundation management will take steps to improve communication and internal processes and to shift some current duties from the accounting staff to other existing Anderson staff. This will allow the accounting staff additional time to prepare for the annual audit.

All journal entries beginning in fiscal year 2012 will be approved by someone other than the preparer. Anderson Foundation will document and maintain a record of the approvals.

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

Exit Conference

June 30, 2011

An exit conference was conducted on October 13, 2011, in which the contents of this report were discussed with the following:

The Robert O. Anderson Schools of Management Foundation:

Deborah Bower, Fiscal Officer
Joni K Pierce, Board Treasurer

KPMG LLP:

Suzette Longfellow – Senior Manager