



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

Financial Statements

June 30, 2012 and 2011

(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
SCHOOLS OF MANAGEMENT FOUNDATION**
(A Component Unit of the University of New Mexico)

Official Roster

June 30, 2012

OFFICERS

Elizabeth “Betsy” Carlson, Chair
Keith Bandoni, Vice-Chair
Joni Pierce, Treasurer
Barbara “BJ” Jones, Secretary
Ned A. Godshall, 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

John Brown	Linda Parker
Wayne Brown (Advisory only)	Donald A. M. Power
John Chavez	John R. Rice
Darin Davis	Mike Rico
Francis Edwards	Richard A. Salmon
Ed Garcia	Kenneth Sapon
Deborah Gorenz	Ryan Shell
Stephen Griego	John Shelton
Brandon Haines	Edward Street
Bart Kinney	Scott W. Throckmorton
Rocklan E. Lawrence	Fred W. Winter Jr. (Advisory only)
Mike Lowrimore	Suzanne Wood Bruckner
Kim Nunley (Advisory only)	Janice E. Young



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, (the Anderson Foundation) as of and for the years ended June 30, 2012 and 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 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 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 audits provide 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, 2012 and 2011, and the changes in its financial position and its cash flows for the years 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 17, 2012 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.



Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Government 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Anderson Foundation's basic financial statements. The statements of revenues and expenses - MDC by account group, and statements of functional expenses by account group for the years ended June 30, 2012 and 2011, on pages 23 through 26 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. These schedules on pages 23 through 26 have been subjected to the audit 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statements of revenues and expenses - MDC by account group, and statements of functional expenses by account group are fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

October 17, 2012

**THE ROBERT O. ANDERSON
SCHOOLS OF MANAGEMENT FOUNDATION**
(A Component Unit of the University of New Mexico)
Management's Discussion and Analysis (Unaudited)
June 30, 2012 and 2011

The discussion and analysis of The Robert O. Anderson Schools of Management Foundation (the Anderson Foundation) and its financial performance provides an overview of the Anderson Foundation's financial activities for the fiscal years ended June 30, 2012 and 2011.

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, 2012 and 2011, 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 position. 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>2012</u>	<u>2011</u>	<u>2010</u>
Total current assets	\$ <u>3,352,476</u>	<u>3,638,665</u>	<u>3,404,747</u>
Current liabilities	\$ 1,491,111	1,595,815	1,672,861
Net assets:			
Unrestricted	1,409,327	1,546,575	1,210,045
Restricted expendable	<u>452,038</u>	<u>496,275</u>	<u>521,841</u>
Total net assets	<u>1,861,365</u>	<u>2,042,850</u>	<u>1,731,886</u>
Total liabilities and net assets	\$ <u>3,352,476</u>	<u>3,638,665</u>	<u>3,404,747</u>

**THE ROBERT O. ANDERSON
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June 30, 2012 and 2011

Assets

A majority of the June 30, 2012, 2011, and 2010 assets are in the form of cash, investments, and accounts receivable. The total balances included in investments as of June 30, 2012, 2011, and 2010, are \$1,193,870, \$1,248,888, and \$1,024,195, respectively. The primary factors contributing to the decrease in investments in fiscal year 2012 and the increase in fiscal year 2011 was the performance of the investment portfolio during each of these years.

In June 2012, the Anderson Foundation closed the sweep account and maintained available cash in a checking account at the Wells Fargo Bank, N.A. All deposits were made into the checking account. The book balances in the checking account as of June 30, 2012, 2011, and 2010 are \$907,372, \$1,232,456, and \$183,813, respectively. The balance in the sweep account as of June 30, 2010 was \$944,533.

Accounts receivable at the Anderson Foundation consists primarily of receivables for programs at the Management Development Center (MDC). Approximately 94% of all receivables are related to the Executive MBA (EMBA) students. There are currently two active EMBA cohort groups. Deferred revenue and receivables are posted for each student at the beginning of the two-year (seven semesters) program. Revenue is recognized each semester based on actual student registration and when the course is offered. The deferred (unearned) revenue and unpaid receivables for classes not taken are reversed if the student leaves the program prior to graduation. There were no students during 2012 with unpaid balances considered uncollectible; therefore, the allowance account balance of \$25,000 is considered sufficient at June 30, 2012. Beginning in 2011 the UNM Bursar's Office set up an allowance account for the receivables held at UNM related to EMBA tuition and fees. The Bursar's Office charged the Anderson Foundation bad debt expenses of \$12,269 and \$5,538 in 2012 and 2011, respectively. In 2012 UNM also returned \$25,574 in EMBA student receivables that were sent to collections over the last few years. Anderson Foundation had already written off the accounts against the Anderson Foundation allowance account. The total net bad debt expenses at the Anderson Foundation are \$(13,305) and \$13,537 in 2012 and 2011, respectively.

Liabilities

The majority of the current liabilities balance is the deferred revenue from the MDC Executive MBA program. Most of the June 30, 2012 deferred revenue will be recognized as income during the fiscal years ending June 30, 2013 and June 30, 2014 as the students in the 2011-2013 cohort group complete courses. Total deferred revenue as of June 30, 2012 is \$1,022,520, up from \$840,242 on June 30, 2011. Deferred revenue increased because the 2011-2013 cohort group (49) is larger than the 2010-2012 group (40). Tuition also increased from \$785 per credit hour for the 2010-2012 group to \$830 for 2011-2013. Deferred revenue as of June 30, 2012 consists of \$64,370 from 2010-2012 EMBA cohort (class taught in August 2012), \$878,140 for 2011-2013 cohort, \$23,210 from students in previous cohorts, and \$31,055 from seat deposits and other prepaid tuition for the 2012-2014 EMBA cohort, which started on June 23, 2012. Also deferred were payments received before June 30, 2012 for 2013 Certificate and GRE/GMAT programs.

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The other significant current liability is the amount due to UNM for salaries, fringe benefits, and operating expenses paid through UNM. Of the total payable due to UNM at year-end, approximately 20% and 43% on June 30, 2012 and 2011, respectively, were for expenses generated from the MDC programs (EMBA programs, Certificate, and GRE/GMAT) less revenue received through UNM. The remaining payable was for functional expenses, including faculty and student support, general operating and fundraising. There were several reasons for the decrease in the accounts payable to UNM from 2011 to 2012. During 2012 additional Dean and faculty travel expenses were charged directly to the non-endowed account at UNM (Due from The University of New Mexico - unrestricted on the balance sheet, net decrease \$70,525). In addition, the financial aid collected by UNM and the online payments for Certificate and GRE/GMAT through UNM Touchnet offset the amount owed for the MDC (EMBA, Certificate, and GRE/GMAT) expenses. The amount due to UNM at year-end June 30, 2012, 2011, and 2010 was \$428,165, \$684,017, and \$657,795, respectively.

Net Assets

Net assets at the Anderson Foundation consist of two amounts: restricted expendable and unrestricted. The restricted expendable funds at the end of fiscal years 2012, 2011, and 2010 are \$452,038, \$496,275, and \$521,841, 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, who designate student organizations, academic departments, student scholarships or various programs and initiatives. The two restricted accounts with the most activity in 2012 and 2011 are the UNM Business Plan Competition (BPC) and the Entrepreneurial Challenge (EC). The BPC is funded by a number of donors and Technology Innovation Program endowment at UNM. The EC was partially funded by a grant from the McCune Foundation in 2011 and 2012 and will be funded by donations in 2013.

Included in unrestricted net assets 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. 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 designated funds are \$390,447, \$418,865, and \$402,924 as of June 30, 2012, 2011 and 2010, respectively. These balances decreased during fiscal year 2012 due to increased faculty activities.

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June 30, 2012 and 2011

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. If net revenues are less than the estimated allocations, unrestricted net assets are reduced. The change in unrestricted net assets during fiscal years 2012 and 2011 of \$(137,248) and \$336,530, respectively, is primarily related to the mixed performance of the investment portfolio and lower revenues from the MDC, contributions and consulting/teaching projects:

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

	2012	2011	2010
Operating revenues:			
Management Development Center (MDC) operations:			
Revenues	\$ 2,052,648	2,155,300	1,917,141
Expenses	(1,623,599)	(1,567,822)	(1,367,985)
Net revenue from MDC operations	429,049	587,478	549,156
Other revenues and support	369,549	458,616	410,395
Total operating revenues and other support	798,598	1,046,094	959,551
Operating expenses:			
Program services	612,313	605,765	608,651
Fundraising activities	136,425	134,258	95,161
Management and general	154,930	176,138	164,580
Total operating expenses	903,668	916,161	868,392
Operating (loss) income	(105,070)	129,933	91,159
Nonoperating revenues (expenses):			
Investment activities	(18,264)	195,126	79,698
Transfer to UNM Foundation	(58,151)	(14,095)	(50,000)
Nonoperating (expenses) revenues, net	(76,415)	181,031	29,698
(Decrease) increase in net assets	(181,485)	310,964	120,857
Net assets, beginning of year	2,042,850	1,731,886	1,611,029
Net assets, end of year	\$ 1,861,365	2,042,850	1,731,886

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Management's Discussion and Analysis (Unaudited)

June 30, 2012 and 2011

Operating Revenues

Revenue from the MDC is approximately 85% of the Anderson School Foundation 2012 gross income. Approximately 87% of the MDC revenue is generated from the Executive MBA program. The change in the revenue generated by the EMBA program between 2012, 2011, and 2010, \$1,784,995, \$1,804,324, and \$1,670,388, respectively, can be attributed to changes in the tuition rates, the number of students in the cohort groups, and 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. Due to staff changes and demand, there was a decrease in both the certificate program (24%) and the GRE/GMAT (23%) from 2011 to 2012. Certificate program revenues were larger in Spring 2012 than in Fall 2011, but overall lower in 2012 than 2011.

Other revenues at the Anderson Foundation include restricted and unrestricted donations, small faculty consulting projects, conferences, and fundraising events, such as the annual Hall of Fame Event and Creative Kitchens. Only the table sales and contributions made directly to the Anderson Foundation are recorded in fundraising. Total other revenue decreased by \$89,070 during 2012 as compared to 2011 and increased by \$48,221 during 2011 as compared to 2010 due to the state of the economy and its effect on fundraising activities, as well as a decrease in the number of consulting projects and conferences.

Operating Expenses

The Management Development Center (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 almost half of the total expenditures. Expenditures for the MDC were \$1,623,599 in 2012, \$1,567,822 in 2011, and \$1,367,985 in 2010. Staff salaries were up slightly in 2012 because the MDC added a training coordinator to assist with the EMBA and other programs. EMBA faculty salaries decreased in 2012 because of changes in the course schedule. The faculty salaries for the certificate programs and the GMAT courses decreased in 2012 and increased in 2011 because of the number of courses offered. Other expenses that increased in 2012 were marketing and advertising, meals and facilities, travel and recruiting (including the international trip), and books and course materials. Student fees are paid to UNM for the EMBA students to use UNM libraries, student health, Johnson gym and other facilities. Changes to the marketing plan and more media advertising resulted in an increase to marketing and advertising expenses in 2012.

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, travel to various local, national and international competitions and conferences, and scholarships. Faculty allocations are used for various professional conferences, course development, equipment, computers, and software to support faculty teaching and research. Anderson staff are allocated \$25,000 annually for professional development, workshops, and conferences. Fundraising costs include the annual Hall of Fame dinner, donor cultivation, and correspondence and newsletters to alumni and donors. Non-MDC operating expenses were \$903,668, \$916,161, and \$868,392 at June 30, 2012, 2011, and 2010, 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.

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Nonoperating Revenues and Expenses

The Anderson Foundation investments are managed by Wells Fargo according to the Investment Policy Statement (IPS) approved by the Anderson Foundation Board in June 2012. Investment earnings decreased \$213,390 during 2012 as compared to 2011 and increased \$115,428 during 2011 as compared to 2010, as a result of the performance of the investment portfolio.

Transfers from the Anderson Foundation checking to various UNM endowed and non-endowed accounts were \$58,151 and \$14,095 in 2012 and 2011, respectively. The transfers were a result of net proceeds from table sales, ticket sales, and contributions from several fundraising events. The 2011 transfer was from the annual Hall of Fame dinner and went to the Hall of Fame Endowed Scholarship. The 2012 transfers were from the annual Hall of Fame dinner, "How to Succeed in Business" alumni event, and the Creative Kitchens fundraising event. The net proceeds from the events were transferred to the Hall of Fame Endowed Scholarship, the Regional Computer Forensics Lab, and Johnson Marketing Center, as designated by the individual donors.

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 a significant impact on the Anderson Foundation.

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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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(A Component Unit of the University of New Mexico)

Balance Sheets

June 30, 2012 and 2011

Assets	2012	2011
Current assets:		
Cash and cash equivalents	\$ 956,119	1,244,649
Investments	1,193,870	1,248,888
Accounts receivable, less allowance for doubtful receivables of \$25,000 in 2012 and 2011	1,118,858	998,107
Due from The University of New Mexico	50,665	121,190
Inventory – MDC textbooks	20,359	21,646
Prepaid expenses – MDC	8,113	—
Promotion items on hand	4,492	4,185
Total current assets	\$ 3,352,476	3,638,665
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 40,426	56,961
Due to The University of New Mexico Foundation	—	14,595
Due to The University of New Mexico	428,165	684,017
Deferred revenue	1,022,520	840,242
Total current liabilities	1,491,111	1,595,815
Net assets:		
Unrestricted	1,409,327	1,546,575
Restricted expendable	452,038	496,275
Total net assets	1,861,365	2,042,850
Total liabilities and net assets	\$ 3,352,476	3,638,665

See accompanying notes to financial statements.

**THE ROBERT O. ANDERSON
SCHOOLS OF MANAGEMENT FOUNDATION**
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Statements of Revenues, Expenses, and Changes in Net Assets
Years Ended June 30, 2012 and 2011

	2012	2011
Operating revenues and other support:		
Management Development Center revenues	\$ 2,052,648	2,155,300
Management Development Center expenses	(1,623,599)	(1,567,822)
Net revenue from Management Development Center operations	429,049	587,478
Contributions	122,041	160,651
Consulting and conference revenue	122,940	172,690
Fundraising events	95,243	96,095
Other income	29,325	29,180
Total operating revenues and other support	798,598	1,046,094
Operating expenses:		
Program services	612,313	605,765
Fundraising activities	136,425	134,258
Management and general	154,930	176,138
Total operating expenses	903,668	916,161
Operating (loss) income	(105,070)	129,933
Nonoperating revenues and expenses:		
Interest/dividend income	21,498	34,239
Net unrealized and realized gains on investments	(39,762)	160,887
Transfer to UNM Foundation	(58,151)	(14,095)
Nonoperating revenues and expenses, net	(76,415)	181,031
(Decrease) increase in net assets	(181,485)	310,964
Net assets, beginning of year	2,042,850	1,731,886
Net assets, end of year	\$ 1,861,365	2,042,850

See accompanying notes to financial statements.

**THE ROBERT O. ANDERSON
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Statements of Cash Flows

Years Ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Receipts from Management Development Center	\$ 2,114,175	2,132,712
Receipts from other revenues and support	440,071	450,572
Payments to The University of New Mexico	(684,017)	(657,794)
Payments to UNM Foundation	(14,595)	—
Payments to outside vendors	(2,122,767)	(1,807,390)
Net cash (used in) from operating activities	(267,133)	118,100
Cash flows (used in) noncapital financing activity – transfers to UNM Foundation	(58,151)	(14,095)
Cash flows from investing activities:		
Investments purchased	(305,206)	(594,419)
Investments proceeds	320,462	530,613
Investment income	21,498	34,239
Net cash from (used in) investing activities	36,754	(29,567)
Net (decrease) increase in cash and cash equivalents	(288,530)	74,438
Cash and cash equivalents, beginning of year	1,244,649	1,170,211
Cash and cash equivalents, end of year	\$ 956,119	1,244,649
Reconciliation of changes in net assets to net cash from operating activities:		
Operating (loss) income	\$ (105,070)	129,933
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Changes in assets and liabilities:		
Accounts receivable	(120,751)	68,820
Due from UNM	70,525	(8,044)
Inventory – MDC textbooks	1,287	5,799
Prepaid MDC expenses	(8,113)	—
Promotional items on hand	(307)	(1,362)
Accounts payable	(16,535)	(26,455)
Due to The University of New Mexico	(255,852)	26,222
Due to The University of New Mexico Foundation	(14,595)	14,595
Deferred revenues	182,278	(91,408)
Net cash (used in) from operating activities	\$ (267,133)	118,100

See accompanying notes to financial statements.

**THE ROBERT O. ANDERSON
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Notes to Financial Statements

June 30, 2012 and 2011

(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.

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.

(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.

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Notes to Financial Statements

June 30, 2012 and 2011

(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 and money market mutual funds.

(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 2012.

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.

(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 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.

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(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.

(l) Advertising Costs

The Anderson Foundation expenses advertising costs as incurred. Advertising expense in 2012 and 2011 totaled \$48,212 and \$45,445 for program and support services, and \$154,208 and \$100,109 for the MDC, respectively.

(m) Reclassifications

Certain reclassifications have been made in the 2011 financial statements to conform to the 2012 presentation.

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(3) Related-Party Transactions

As of June 30, 2012 and 2011, the Anderson Foundation has net accounts payable of \$428,165 and \$684,017, 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, 2012 is included below:

Name of depository	Account name	Account type	Bank balance	Reconciling items	Reconciled balance
Wells Fargo	Operating	Cash	\$ 968,024	(60,652)	907,372
Wells Fargo	Department	Money market	48,747	—	48,747
			<u>\$ 1,016,771</u>	<u>(60,652)</u>	<u>956,119</u>

A detail of the cash accounts at June 30, 2011 is as follows:

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>

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 \$1,016,771 and \$1,253,819 on deposit with a local financial institution at June 30, 2012 and 2011, respectively. The balance in the operating account is non-interest bearing and as such is fully insured by the Federal Deposit Insurance Corporation. The Anderson Foundation does not require collateral on its cash deposits. Money market mutual funds are not subject to custodial credit risk.

(5) Investments

The Anderson Foundation has an investment account with Wells Fargo Bank-Wealth Management with balances of \$1,193,870 and \$1,248,888 as of June 30, 2012 and 2011, respectively.

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

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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 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 June 2012, the Anderson Foundation Board of Directors approved several changes to its Investment Policy Statement (IPS), as recommended by the Anderson Foundation Finance Committee. In addition to updating some of the wording, changes were made to the "Asset Allocation Guidelines and Constraints" to be consistent with the Wells Fargo Investment Strategy. Wells Fargo has a consistent process for developing asset allocations and a risk management program to identify any investments outside of the guidelines. The IPS has been written to assist in the supervising, monitoring, and evaluating of the Foundation investments. The objective of 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: 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, 2012 and 2011 and the Anderson Foundation’s exposure to custodial credit risk is as follows:

	Fair value amounts at	
	2012	2011
Corporate obligations	\$ 100,831	105,015
Total securities held by custodians	100,831	105,015
Mutual funds not subject to custodial credit risk	948,172	993,074
Real estate funds	144,867	150,799
	\$ 1,193,870	1,248,888

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; 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, 2012 and 2011 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 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:

	<u>Minimum</u>	<u>Strategic target</u>	<u>Maximum</u>
Fixed income:	25	39	60
Cash	—	3	10
Investment Grade Bonds	14	21	34
High Yield Bonds	—	5	15
International Developed Markets Bonds	—	7	17
International Emerging Markets Bonds	—	3	12
Equities:	25	37	60
Domestic Large Cap equities	6	14	26
Domestic Mid Cap equities	—	5	14
Domestic Small Cap equities	—	3	13
International Developed Markets Bonds	1	10	21
International Emerging Markets Bonds	—	5	14
Real estate:	—	12	20
Global Real Estate – Public	—	7	14
Commodities	—	5	14
Complementary strategies:	—	12	20
Hedge Funds – Conservative	—	2	12
Hedge Funds – Diversified	—	5	14
Hedge Funds – Aggressive	—	3	14
Private Equity	—	2	12

As of June 30, 2012 and 2011, the Anderson Foundation did not have any investments in one issuer that represented more than 5% of total investments.

Foreign Currency Risk: The Anderson Foundation did not hold any investments that were subject to foreign currency risk at June 30, 2012 or 2011.

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,

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should not exceed that of the benchmark index without corresponding increase in performance of the benchmark or peer group.

Fair value at June 30, 2012 and 2011 is summarized as follows:

	2012 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	\$ 100,831	75,869	24,962	—	—
	<u>100,831</u>	<u>75,869</u>	<u>24,962</u>	<u>—</u>	<u>—</u>
Not exposed to interest rate risk:					
Mutual funds	948,172				
Real estate funds	144,867				
Total investments	\$ <u><u>1,193,870</u></u>				

	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	150,799				
Total investments	\$ <u><u>1,248,888</u></u>				

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

	June 30, 2012			June 30, 2011		
	Unrestricted	Restricted expendable	Total	Unrestricted	Restricted expendable	Total
Interest/dividend income	\$ 21,498	—	21,498	34,239	—	34,239
Realized gains (loss)	(12,273)	—	(12,273)	13,807	—	13,807
Unrealized gains (loss)	(27,489)	—	(27,489)	147,080	—	147,080
Total investment income	\$ <u><u>(18,264)</u></u>	<u>—</u>	<u>(18,264)</u>	<u>195,126</u>	<u>—</u>	<u>195,126</u>

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(6) 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 \$15,095,795 and \$13,261,178 as of June 30, 2012 and 2011, respectively. A portion of the earnings from the funds, in the amount of \$561,361 and \$593,037, 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 2012. In past years, the entire allocation for the fiscal year was posted June 30 for use in the next fiscal year. Starting in 2012, 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. The balances disclosed herein are not recorded in the Anderson Foundation's financial statements.

The June 30, 2012 principal endowment balance recorded on the UNMF financial statements includes a Quasi endowment (restricted expendable) established for the ASM Building Fund. The principal balance is \$2,396,953. Associated restricted expendable funds were moved to the spending account in 2012 to cover consulting and planning expenses incurred in 2012. The June 30, 2012 balance in the quasi spending account is \$34,122. An additional \$2.5 million is expected to be donated to the principal balance in 2013.

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.

(7) Non-Endowed Funds Held by UNM

There are current unrestricted and restricted expendable non-endowed funds designated for the Anderson School available through UNM. The non-endowed funds were moved from the UNM Foundation to UNM in 2011. The unrestricted, as well as the Business Plan Competition (restricted expendable), and associated contributions/revenue and expenses are recorded by the Anderson Foundation. Other restricted expendable funds are spent by the Anderson departments, faculty, and student scholarships, as stipulated by the donors and are not recorded by the Anderson Foundation.

A detail of non-endowed funds held by the UNM (due to the Anderson Foundation or available to the Anderson School) as of June 30, 2012 and 2011 is included below:

	2012	2011
Unrestricted contributions due to the Anderson Foundation	\$ 41,492	116,901
Restricted expendable funds due to the Anderson Foundation - Business Plan Competition account	9,173	4,289
Total due to the Anderson Foundation	50,665	121,190
Other restricted expendable funds available to the Anderson School	545,065	519,109
Total non-endowed funds held by UNM	\$ 595,730	640,299

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(8) Net Assets

Restricted expendable net assets are available for the following purposes:

	2012	2011
Programs	\$ 292,515	284,661
Scholarships	159,523	211,614
Restricted expendable net assets	\$ 452,038	496,275

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

	2012	2011
Undesignated	\$ 1,018,880	1,127,710
Designated	390,447	418,865
Unrestricted net assets	\$ 1,409,327	1,546,575

Included in unrestricted net assets 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.

(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 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, 2012

	<u>EMBA program</u>	<u>Certificate programs</u>	<u>GMAT Prep course</u>	<u>Total</u>
Revenues:				
Student fees	\$ 1,784,995	—	—	1,784,995
Registration fees	—	196,598	71,055	267,653
Total revenues	<u>1,784,995</u>	<u>196,598</u>	<u>71,055</u>	<u>2,052,648</u>
Direct costs:				
Compensation	195,724	69,930	27,671	293,325
Bad debt expense, net of recoveries	(13,305)	—	—	(13,305)
Books/course materials	151,771	26,713	410	178,894
Consultants	—	10,000	—	10,000
Computer supplies/database	16,623	11,109	—	27,732
Dues and memberships	2,115	654	—	2,769
Marketing and advertising	126,455	27,753	—	154,208
Materials and services	7,479	1,219	737	9,435
Meals and facilities	123,198	6,220	—	129,418
Parking	19,951	4,296	—	24,247
Postage and printing	10,007	7,258	646	17,911
Student fees	136,915	—	—	136,915
Telephone	1,493	89	—	1,582
Training and development	10,910	1,170	—	12,080
Travel and recruiting	147,454	5,581	—	153,035
Total direct costs	<u>936,790</u>	<u>171,992</u>	<u>29,464</u>	<u>1,138,246</u>
Segment contribution	<u>848,205</u>	<u>24,606</u>	<u>41,591</u>	<u>914,402</u>
Allocated fixed costs:				
Staff compensation	382,209	62,760	4,495	449,464
Copier/office supplies	22,728	2,674	1,337	26,739
Materials and services	2,462	290	145	2,897
Telephone	5,315	625	313	6,253
Total allocated costs	<u>412,714</u>	<u>66,349</u>	<u>6,290</u>	<u>485,353</u>
Net revenue from Management Development Center	<u>\$ 435,491</u>	<u>(41,743)</u>	<u>35,301</u>	<u>429,049</u>

See accompanying independent auditors' report.

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Schedule of Revenues and Expenses – Management Development Center

June 30, 2011

	<u>EMBA program</u>	<u>Certificate programs</u>	<u>GMAT Prep course</u>	<u>Total</u>
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	230	—	2,200
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>159,105</u>	<u>48,831</u>	<u>1,103,788</u>
Segment contribution	<u>908,472</u>	<u>99,577</u>	<u>43,463</u>	<u>1,051,512</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
Total allocated costs	<u>404,655</u>	<u>52,306</u>	<u>7,073</u>	<u>464,034</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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Statement of Functional Expenses

June 30, 2012

	Program services			Support services		Total
	Faculty support	Student support	Total program services	Management and general	Fundraising activities	
Compensation	\$ 31,929	7,387	39,316	11,494	—	50,810
Advertising and promotion	8,607	24,325	32,932	14,817	463	48,212
Audit and accounting	—	—	—	27,820	—	27,820
Bank charges	—	—	—	29,456	—	29,456
Business plan award	—	70,000	70,000	—	—	70,000
Commencement	—	—	—	6,625	—	6,625
Computer supplies	22,337	2,257	24,594	1,369	2,361	28,324
Conference expenses	31,808	27,609	59,417	—	—	59,417
Dues and memberships	16,515	1,836	18,351	4,594	—	22,945
Equipment	23,115	678	23,793	2,569	—	26,362
Honoraria	16,641	—	16,641	—	—	16,641
Insurance	—	—	—	3,858	—	3,858
Materials and services	8,371	14,519	22,890	11,924	4,230	39,044
Meals and facilities	21,969	16,167	38,136	18,598	106,498	163,232
Parking	—	—	—	5,393	—	5,393
Printing and postage	3,213	5,164	8,377	6,158	67	14,602
Publications	—	—	—	—	11,546	11,546
Student and faculty awards	—	17,435	17,435	—	—	17,435
Subscription and books	17,662	—	17,662	1,091	—	18,753
Telephone	1,732	—	1,732	2,469	4,691	8,892
Training and development	18,380	—	18,380	—	—	18,380
Travel	190,017	12,640	202,657	6,695	6,569	215,921
Total expenses	\$ <u>412,296</u>	<u>200,017</u>	<u>612,313</u>	<u>154,930</u>	<u>136,425</u>	<u>903,668</u>

See accompanying independent auditors' report.

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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>

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 (the Anderson Foundation), as of and for the year ended June 30, 2012, and have issued our report thereon dated October 17, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the Anderson Foundation is responsible for establishing and maintaining effective 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 the 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*.

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 17, 2012

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

Schedule of Findings and Responses

June 30, 2012

Prior Year Findings

2011-01 Journal Entries – Other

Resolved.

Current Year Findings

None

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

Exit Conference

June 30, 2012

An exit conference was conducted on September 25, 2012, 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

Robert G. DelCampo, Associate Dean

Edward Street, Board Member

KPMG LLP

Cynthia Reinhart, Partner

Helen Mann, Senior Manager

Pepper Piper, Senior Associate