



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

Financial Statements

June 30, 2016 and 2015

(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, 2016

OFFICERS

Terri Giron-Gordon, Chair
Dennis Garcia, Vice-Chair
Ed Street, CPA, Treasurer
John Attwood, Secretary
Mike Lowrimore, Past-Chair

COMMITTEE CHAIRS

Rick Anderson, Chair, EPEC Planning and Programming Committee
Tracy Utterback, Chair, Advancement Committee
Suzanne Wood Bruckner, Chair, Recruiting and Nominating Committee
Ed Street, Chair, Finance Committee

EX-OFFICIO MEMBERS

Craig White, Dean
Emily Fox, Senior Development Officer

BOARD MEMBERS

Keith Bandoni	Clovis Martin
Bret Blanchard	Marcus Mims
Stephanie Catasca	Linda Parker
Beth Chase	Dhaval Patel
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Ed Garcia	Dennis Snyder
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Stephen A. Griego	Janeen Vilven-Doggett
Adam Honegger	Vickie R. Wilcox
Joe Christian	Xavier Zamarripa
Ella Leeper	
Wayne Brown (Advisory)	Suzette Longfellow (Advisory)



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

Independent Auditors' Report

The Board of Directors
The Robert O. Anderson Schools of Management Foundation
and
Mr. Timothy Keller, New Mexico State Auditor:

Report on the Financial Statements

We have audited the accompanying financial statements of Robert O. Anderson Schools of Management Foundation (the Anderson Foundation), a component unit of the University of New Mexico, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Anderson Foundation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Robert O. Anderson Schools of Management Foundation as of June 30, 2016 and 2015, and the changes in its net position and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

Adoption of New Accounting Pronouncement

As discussed in Note 2(m) to the financial statements, effective July 1, 2015, the Company adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 5 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Anderson Foundation's basic financial statements. The schedules of revenues and expenses – Executive and Professional Education Center, and statement of functional expenses for the years ended June 30, 2016 and 2015, on pages 29 through 32 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of revenues and expenses – Executive and Professional Education Center, and statement of functional expenses for the years ended June 30, 2016 and 2015 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of revenues and expenses – Executive and Professional Education Center, and statement of functional expenses for the years ended June 30, 2016 and 2015 are fairly stated in all material respects in relation to the basic financial statements as a whole.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2016 on our consideration of Anderson Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Anderson Foundation's internal control over financial reporting and compliance.

KPMG LLP

Albuquerque, New Mexico
November 17, 2016

**THE ROBERT O. ANDERSON
SCHOOLS OF MANAGEMENT FOUNDATION**
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Management's Discussion and Analysis

June 30, 2016 and 2015

(Unaudited)

The following discussion and analysis provides an overview of the financial position and activities of the Robert O. Anderson Schools of Management Foundation (the Anderson Foundation) as of and for the fiscal years ended June 30, 2016, 2015, and 2014. This discussion should be read in conjunction with the accompanying financial statements and notes. Management has prepared the basic financial statements and the related note disclosures along with this discussion and analysis. As such, the financial statements, notes, and their discussion are the responsibility of the Anderson Foundation.

Overview of the Basic Financial Statements

The Anderson Foundation's annual report consists of the Management's Discussion and Analysis, which provides a broad narrative overview of its financial activities for the fiscal years ended June 30, 2016, 2015, and 2014 and the following, which comprise the basic financial statements:

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

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

The Anderson Foundation's condensed financial information as of and for the fiscal years ended June 30, 2016, 2015, and 2014 are provided in the following table:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Current assets	\$ 4,380,607	4,663,122	3,638,820
Current liabilities	\$ 1,857,151	2,196,590	1,371,279
Net position:			
Unrestricted	2,026,126	1,966,457	1,821,968
Restricted	497,330	500,075	445,573
Total net position	<u>2,523,456</u>	<u>2,466,532</u>	<u>2,267,541</u>
Total liabilities and net position	<u>\$ 4,380,607</u>	<u>4,663,122</u>	<u>3,638,820</u>

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Current Assets

A majority of the current assets at year-end are in the form of cash, investments, and accounts receivable. Investments increased in fiscal year 2015 due to the transfer of \$500,000 from the checking/sweep accounts to the investment account. The primary factor contributing to any other increases or decreases in investments is the performance of the investment portfolio during each year.

The Anderson Foundation maintained cash in a checking account at the Wells Fargo Bank, N.A. All deposits were made into the checking account. The checking account maintains a \$250,000 balance. Any balance over \$250,000 is invested nightly in the sweep account. Cash and cash equivalents on the balance sheet also includes a money market account in the investment portfolio. The increase in the checking/sweep accounts in 2016 is a result of several factors, including students in the MBA-ED program paying their tuition in advance. The MBA-ED students receive the total tuition and fees for the two-year program from the Woodrow Wilson Foundation in two installments of \$16,000 each. The students are obligated to pay the Anderson Foundation \$801 per registered credit hour before the beginning of each semester. Most students pay each semester but some paid in advance.

Accounts receivable at the Anderson Foundation consists primarily of receivables for programs at the Executive and Professional Education Center (EPEC), formerly Management Development Center (MDC). There are currently two active EMBA cohort groups and one MBA-ED cohort. A second MBA-ED cohort started in summer 2016. Revenue is recognized each month based on actual student registration with the majority of the students registering before the start of the semester. The unearned revenue and unpaid receivables for classes not taken are reversed if the student leaves the program prior to graduation. After several years with no uncollected tuition, there was one student during 2016 with an unpaid balance of \$6,125 considered uncollectible. The allowance account balance of \$18,875 is considered sufficient at June 30, 2016. The Bursar's Office handles all uncollectible student accounts for the Executive MBA program. The account was sent to collections by UNM.

Prepaid expenses decreased slightly in 2016 and include UNM parking permits for students, deposit to travel agency and a software package paid annually and expensed monthly. The software is used by EPEC to track potential students for all credit and noncredit programs and registration in the CPD and GRE/GMAT classes. The increase in 2015 is primarily the result of the change in the international trips from March to August and when the international residency expenses were paid to the various travel agencies. Deposits to the travel agency for the international trips in August are considered prepaid if the deposits are paid in one fiscal year and used in another.

Current Liabilities

The current liabilities decreased in 2016 as a result of an increase in the payable to UNM offset by the decrease in unearned revenue. The payable to UNM increased due to timing of the payments at year-end. In 2016 the EMBA schedule of courses changed with some courses starting earlier than in previous years. To be consistent with the UNM practice of recognizing 50% of the summer revenue in the current fiscal year and 50% in the next year, Anderson Foundation adopted the same procedure for the EMBA and MBA-ED summer registrations. These changes resulted in a reduction in unearned revenue in 2016. In 2015, the majority of the current liabilities balance is the unearned revenue from the EPEC EMBA program. Total unearned revenue as of June 30, 2015 is \$1,341,598. The balance includes a \$168,990 grant paid in advance for the new MBA-ED program, which started in

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September 2015. The program, funded by the Woodrow Wilson National Fellowship Foundation, admits K-12 teachers and principals who will earn an education related MBA degree. Another reason for the increase is the timing on the summer 2015 courses and the deadline for the 2015–2017 cohort to pay all summer 2015 tuition by June 26, 2015. The total unearned revenue as of June 30, 2014 is \$802,562. Unearned revenue decreased in 2014 for several reasons, including changes to the cohort class schedule and a lower than average 2013–2015 cohort group. Tuition increased from \$975 per credit hour for the 2014–2016 group to \$1,070 for 2015–2017. Tuition remained at \$1,070 per credit hour for the 2016–2018 cohort.

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Unearned revenue:			
EMBA Cohort 2012-2014	\$ —	—	72,625
EMBA Cohort 2013-2015 (31 students)	—	68,080	687,240
EMBA Cohort 2014-2016 (35 students)	120,413	853,015	12,830
EMBA Cohort 2015-2017 (30 students)	123,050	218,280	—
EMBA Cohort 2016-2018 (40 students)	140,705		
EMBA students from prior Cohort	51,690	4,795	5,900
International trip (Munich 2015 and China 2014)	—	28,438	21,947
Total EMBA unearned revenue	<u>435,858</u>	<u>1,172,608</u>	<u>800,542</u>
Career and professional development	3,730	—	1,145
MBA-ED	326,811	168,990	—
Other	—	—	875
All unearned revenue	<u>\$ 766,399</u>	<u>1,341,598</u>	<u>802,562</u>

The 2014–2016 cohort went on their international residency in August 2015. Student payments due before June 30, 2015 for the August 2015 trip are included in unearned revenue and were recognized in 2016. The international residency trip for the 2015–2017 cohort is in October 2016. EPEC paid the deposit for the trip but the students no longer pay Anderson Foundation for the balance. They pay directly to the travel agency. Therefore, there is no unearned revenue related to the international residency in 2016.

The other significant current liability is the amount due to the University of New Mexico (UNM) for salaries, fringe benefits, and operating expenses paid through UNM. The majority of the expenses are for EPEC (EMBA and MBA-ED programs, Career and Professional Development programs, and GRE/GMAT preparation). A portion of the EPEC expenditures are offset by student financial aid and revenue received through UNM for the various programs. Financial aid is collected by UNM's Bursar Office for the EMBA and MBA-ED programs. The online payments for Career and Professional Development (CPD) and GRE/GMAT programs are received through UNM Touchnet. The remaining payable was for functional expenses, including faculty and student support, general operating, and fundraising. Fluctuations in the balances each year depend on the type of expenditures and the

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revenue received through UNM. The MBA-ED program, started in 2015, added additional faculty salaries and benefits to the amount due to UNM at year-end June 30, 2016.

Accounts payable increases and decreases are often due to timing of orders and payments for goods and services paid through the Anderson Foundation checking account.

Net Position

Net position at the Anderson Foundation consists of two amounts: restricted and unrestricted. The balances in the restricted accounts are designated for various academic departments, programs, scholarships, or student organizations. The restriction on the funds is determined by the donors. The restricted account with the most activity is the UNM Business Plan Competition (BPC), which includes both the Entrepreneurial and the Technology competitions. The BPC is funded by a number of sponsors and the Technology Innovation Program (TIP) endowment at UNM. Students groups compete for various cash prizes from \$1,000 to \$25,000 per award. The number and amounts of some awards increased in 2016.

Included in the unrestricted net position are designated funds that are from two sources. (1) Funds are allocated by the Anderson Foundation Board through the budget process to the Anderson Dean. The Anderson Dean allocates funds to individual faculty, departments, students, and staff at the UNM Anderson School of Management. (2) Funds are generated by faculty consulting activities, special teaching programs, student competitions, or conferences. Funds in these 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. The balance increases or decreases are due to faculty, chair, and dean initiatives and activities.

Unrestricted funds are primarily from unrestricted contributions or net revenues generated by the activities of the Executive and Professional Education Center (EPEC). EPEC is a self-supporting department within the Anderson Foundation, offering a variety of educational products, including two cohorts of the Executive MBA and MBA-ED program, Career and Professional Development (CPD), and GRE/GMAT preparation classes. The GRE/GMAT classes are 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 development, and student activities. If net revenues exceed the estimated allocations, unrestricted funds become part of the unrestricted net position. If net revenues are less than the

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estimated allocations, the unrestricted net position is reduced. The change in unrestricted net position during fiscal years 2016, 2015, and 2014 is summarized by the following table.

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating revenues:			
Executive and Professional Education Center (EPEC) operations:			
Revenues	\$ 2,753,165	2,425,521	2,221,532
Expenses	(2,134,082)	(1,779,003)	(1,760,218)
Net revenue from EPEC operations	619,083	646,518	461,314
Other revenues and support	504,751	501,126	600,924
Total operating revenues and other support	1,123,834	1,147,644	1,062,238
Operating expenses:			
Program services	589,326	624,613	656,723
Fundraising activities	149,893	122,626	138,345
Management and general	164,177	171,518	187,266
Total operating expenses	903,396	918,757	982,334
Operating income	220,438	228,887	79,904
Nonoperating revenues (expenses):			
Investment activities	(37,157)	(789)	177,711
Transfer to UNM Foundation	(126,357)	(29,107)	(48,720)
Nonoperating revenues (expenses), net	(163,514)	(29,896)	128,991
Increase in net position	56,924	198,991	208,895
Net position, beginning of year	2,466,532	2,267,541	2,058,646
Net position, end of year	\$ 2,523,456	2,466,532	2,267,541

Total Operating Revenues and Other Support and Operating Expenses

Changes in the revenues can be attributed to the addition of the MBA-ED program in fall 2015, changes in the tuition rates and the number of students in the cohort groups. The Woodrow Wilson Foundation pays the MBA-ED tuition and fees for the students and also pays EPEC administrative costs, including two full-time staff members to manage the program. Another factor is the number of students attending the international residency and that EPEC stopped collecting student fees for the international residency in 2016. Students pay the travel agency

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directly. Other educational products offered by EPEC include a number of Career and Professional Development (CPD) standard and customized programs and GRE/GMAT preparatory classes. Due to staff changes, demand for customized programs and number of sections taught, revenues from the Career and Professional Development and the GRE/GMAT increased from 2014 to 2015 and decreased from 2015 to 2016.

Other operating revenues at the Anderson Foundation include restricted and unrestricted donations, faculty consulting projects, conferences, and fundraising events, such as the annual Hall of Fame Event and the Taste of Anderson. The table sales and contributions made directly to the Anderson Foundation are recorded in fundraising. Other contributions for the events are either paid online to UNM Foundation or sent directly to UNM Foundation for the endowments associated with the events. Anderson Foundation does not include any donations made directly to endowment accounts at UNM Foundation, including donations made as a result of the events. Net proceeds from the fundraising events are used to support student programs and scholarships. The 2016 Hall of Fame contributions were the largest to date with a net of \$105,626 transferred to the Hall of Fame Endowed Scholarship. The changes from year to year in the other operating revenues depend on a number of factors, including the timing of the contributions and consulting payments, the economy, marketing of the events, or other factors.

The Executive and Professional Education Center (EPEC) is a self-supporting department within the Anderson Foundation. Anderson Foundation does not directly pay employees. Faculty, staff, and students working for EPEC are considered employees of The University of New Mexico. The salaries, payroll taxes, and UNM benefits for the faculty teaching in the various programs and staff and students supporting the programs are paid through UNM and reimbursed annually as part of the due to UNM payable. All compensation increased in 2016 due to the addition of the MBA-ED program. Faculty teaching in the program and additional staff hired increased the compensation expenses for EPEC. Staff salaries were down in 2015 because of vacancies, while the faculty salaries for the Career and Professional Development and the GRE/GMAT programs increased in 2014 and 2015 because of the number of standard and customized courses offered. Other expenses that increased in 2016 were books/course materials, student fees, meals and facilities, and travel (including the international trip). The increase in fees and books/course materials increased in part as a result of adding the MBA-ED program. Student fees paid to UNM are at the same rate as other UNM graduate students and allow EMBA and MBA-ED students to use UNM libraries, student health, Johnson gym, and other facilities.

Expenditures outside EPEC include programs, general and administrative, and fundraising costs. Program funds are allocated to faculty, students, and staff at the UNM 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 can apply for funding to attend workshops and conferences for professional development. Fundraising costs include the annual Hall of Fame dinner, donor cultivation, and correspondence and newsletters to alumni and donors. The fluctuation in the balances is primarily related to the state of the economy and the cost of fundraising events such as the Hall of Fame dinner.

Nonoperating Revenues and Expenses

The Anderson Foundation's investments are managed by Wells Fargo according to the Investment Policy Statement (IPS) revised by the Finance Committee and Wells Fargo managers and approved by the Anderson Foundation Board in February 2015. Investment interest and dividend earnings increased in 2016 as compared to 2015. Net unrealized and realized gains/losses on investments also increased in 2016. Investment earnings are a result of the performance of the investment portfolio. In 2016 the result was a decrease in the investment balance in 2016.

Transfers from the Anderson Foundation checking to various UNM endowed accounts were a result of donor designations and/or net proceeds from table sales, ticket sales, and contributions from several fundraising events. The 2016 and 2015 transfers were from the annual Hall of Fame fundraising event. The net proceeds from the event were transferred to the Hall of Fame Endowed Scholarship at UNM Foundation. In addition, in 2016 donated funds designated for Anderson Executive MBA Scholarship were transferred to UNM Foundation. The designated Anderson Foundation funds combined with nonendowed funds also designated for the EMBA scholarships were used to start a new endowed scholarship.

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.

Contacting the Anderson Foundation's Financial Management

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

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

Robert O. Anderson Schools of Management Foundation
The University of New Mexico
MSC 05-3090
1924 Las Lomas NE
Albuquerque, NM 87131
505-277-4234

**THE ROBERT O. ANDERSON
SCHOOLS OF MANAGEMENT FOUNDATION**
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Statements of Net Position

June 30, 2016 and 2015

Assets	2016	2015
Current assets:		
Cash and cash equivalents	\$ 1,603,802	1,278,314
Investments	1,962,749	1,997,888
Accounts receivable, less allowance for doubtful receivables of \$18,875 in 2016 and \$25,000 in 2015	595,052	1,173,838
Due from The University of New Mexico	108,382	74,888
Inventory – EPEC textbooks/brochures	28,849	47,472
Prepaid expenses – EPEC	80,556	88,950
Promotion items on hand	1,217	1,772
Total current assets	\$ 4,380,607	4,663,122
Liabilities and Net Position		
Current liabilities:		
Accounts payable	\$ 10,394	25,268
Due to The University of New Mexico	1,080,358	829,724
Unearned revenue	766,399	1,341,598
Total current liabilities	1,857,151	2,196,590
Net position:		
Unrestricted	2,026,126	1,966,457
Restricted	497,330	500,075
Total net position	2,523,456	2,466,532
Total liabilities and net position	\$ 4,380,607	4,663,122

See accompanying notes to financial statements.

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Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2016 and 2015

	2016	2015
Operating revenues and other support:		
Executive and Professional Education Center revenues	\$ 2,753,165	2,425,521
Executive and Professional Education Center direct and allocated costs	(2,134,082)	(1,779,003)
Net revenue from Executive and Professional Education Center operations	619,083	646,518
Contributions	155,087	149,136
Consulting and conference revenue	151,080	205,994
Fundraising events	179,392	127,525
Other income	19,192	18,471
Total operating revenues and other support	1,123,834	1,147,644
Operating expenses:		
Program services	589,326	624,613
Fundraising activities	149,893	122,626
Management and general	164,177	171,518
Total operating expenses	903,396	918,757
Operating income	220,438	228,887
Nonoperating revenues and expenses:		
Interest/dividend income	59,027	46,443
Net unrealized and realized losses on investments	(96,184)	(47,232)
Transfer to UNM Foundation	(126,357)	(29,107)
Nonoperating revenues and expenses, net	(163,514)	(29,896)
Increase in net position	56,924	198,991
Net position, beginning of year	2,466,532	2,267,541
Net position, end of year	\$ 2,523,456	2,466,532

See accompanying notes to financial statements.

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Statements of Cash Flows

Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Receipts from Executive and Professional Development Center	\$ 2,756,752	2,593,754
Receipts from other revenues and support	471,257	486,071
Payments to The University of New Mexico	(829,724)	(544,508)
Payments to outside vendors	(1,944,422)	(1,899,546)
Net cash flows provided by operating activities	<u>453,863</u>	<u>635,771</u>
Cash flows from noncapital financing activity – transfers to UNM Foundation	(126,357)	(29,107)
Cash flows from investing activities:		
Investments purchased	(1,243,978)	(961,597)
Investments proceeds	1,182,933	377,738
Investment income	59,027	46,443
Net cash flows used in investing activities	<u>(2,018)</u>	<u>(537,416)</u>
Net increase in cash and cash equivalents	325,488	69,248
Cash and cash equivalents, beginning of year	<u>1,278,314</u>	<u>1,209,066</u>
Cash and cash equivalents, end of year	<u>\$ 1,603,802</u>	<u>1,278,314</u>
Reconciliation of changes in net position to net cash from operating activities:		
Operating income	\$ 220,438	228,887
Adjustments to reconcile changes in net position to net cash flows from operating activities:		
Changes in assets and liabilities:		
Accounts receivable	578,786	(370,803)
Due from The University of New Mexico	(33,494)	(5,050)
Inventory – EPEC textbooks	18,623	1,859
Prepaid EPEC expenses	8,394	(46,376)
Promotional items on hand	555	1,943
Accounts payable	(14,874)	1,059
Due to The University of New Mexico	250,634	285,216
Unearned revenues	(575,199)	539,036
Net cash flows provided by operating activities	<u>\$ 453,863</u>	<u>635,771</u>
Supplemental information:		
In-kind contributions	\$ —	10,000

See accompanying notes to financial statements.

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(A Component Unit of the University of New Mexico)

Notes to Financial Statements

June 30, 2016 and 2015

(1) Organization

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

(2) Summary of Significant Accounting Policies and Practices

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

(a) *Basis of Accounting and Presentation*

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

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

(b) *Net Position*

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

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

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(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 funds.

(d) *Concentrations of Credit Risk*

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

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

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

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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 position. Investment income and gains restricted by a donor are reported as increases in unrestricted net position if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

(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.

(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 Executive and Professional Education Center (EPEC) nondegree educational programs (Career and Professional Development and GRE/GMAT). Revenue is recognized as cash is received during the year. Payments received for future programs at year-end are unearned and recognized in the appropriate fiscal year. In 2015 and 2016, EPEC increased the number of customized training programs. The combination of regular standard certificate programs and the customized training is currently under the title of Career and Professional Development.

The EMBA and the MBA-ED are two-year (seven semester) academic programs with participants earning a Master's of Business Administration (MBA) degree from the University of New Mexico (UNM). Tuition revenue for the programs is recognized as credit hours are taken by program participants, in accordance with UNM registration and withdrawal policies. At the beginning of each cycle, all tuition and fees for the entire academic year are recorded as receivable and unearned revenue from the individual student. Revenue is recognized monthly as the students register for the credit hours taken during the fiscal year. As revenue is recognized, unearned revenue is reduced. Summer 2016 tuition and fees are recognized according to current UNM practices. As students from all cohorts register for the summer semester, UNM transfers 50% of the revenue to the current year ending June 30 and defers 50% for the next fiscal year. The second 50% is posted in July. Unearned revenue at year-end represents 50% of the summer tuition and fees and any tuition and fees from current students who have not registered for scheduled classes either in summer or past semesters.

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

(j) Operating Expenses

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

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(k) Use of Estimates

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

(l) Advertising Costs

The Anderson Foundation expenses advertising costs as incurred.

(m) Adoption of new GASB Pronouncements

During the year ended June 30, 2016, Anderson Foundation adopted GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72). GASB 72 provides guidance for determining a fair value measurement for financial reporting purposes. The Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. In accordance with this pronouncement, Anderson Foundation disclosed the fair value measurements of its investments as of June 30, 2016 and 2015 under note 5.

During the year ended June 30, 2016, Anderson Foundation adopted GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (GASB 76) that supersedes GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB 76 identifies the hierarchy of general accepted accounting principles for state and local governments which did not have a significant effect.

(3) Related-Party Transactions

As of June 30, 2016 and 2015, the Anderson Foundation has net accounts payable of \$1,080,358 and \$829,724, 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, 2016 is included below:

Name of depository	Account name	Account type	Bank balance	Reconciling items	Reconciled balance
Wells Fargo	Operating	Cash	\$ 250,000	7,063	257,063
Wells Fargo	Sweep	Cash	1,323,703	—	1,323,703
Wells Fargo	Investment	Money market	23,036	—	23,036
			\$ 1,596,739	7,063	1,603,802

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A detail of the cash accounts at June 30, 2015 is included below:

<u>Name of depository</u>	<u>Account name</u>	<u>Account type</u>	<u>Bank balance</u>	<u>Reconciling items</u>	<u>Reconciled balance</u>
Wells Fargo	Operating	Cash	\$ 250,000	138,001	388,001
Wells Fargo	Sweep	Cash	865,151	—	865,151
Wells Fargo	Investment	Money market	25,162	—	25,162
			<u>\$ 1,140,313</u>	<u>138,001</u>	<u>1,278,314</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 \$1,596,739 and \$1,140,313 on deposit with a local financial institution at June 30, 2016 and 2015, respectively. The Anderson Foundation set up a sweep account in order to collateralize its uninsured cash deposits. The balance in the operating account at June 30, 2016 and June 30, 2015 was insured up to the first \$250,000 by the Federal Deposit Insurance Corporation (FDIC), and the remaining balances of \$1,323,703 and \$865,151 for 2016 and 2015, respectively, was collateralized through the sweep account which purchases U.S. Treasuries and Agencies. The money market mutual funds held by the Anderson Foundation are not subject to custodial credit risk.

(5) Investments

The Anderson Foundation has an investment account with Wells Fargo Bank – Wealth Management with balances of \$1,962,749 and \$1,997,888 as of June 30, 2016 and 2015, 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 statement adopted by the Anderson Foundation and meet annually with the finance committee to discuss the status of the account.

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 investment portfolio shall be less than single “BBB” quality.

Investment Policy Statement (IPS): In February 2015, the Anderson Foundation Board of Directors approved changes to its Investment Policy Statement (IPS), as recommended by the Anderson Foundation Finance Committee. In addition to the Anderson IPS, a standardized IPS is in place with Wells Fargo. Changes were made to the “Asset Allocation Guidelines and Constraints” to be consistent with the Wells Fargo Investment Strategy. The IPS has been written to assist in the supervising, monitoring, and evaluating of the Anderson Foundation’s 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.

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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, 2016 and 2015 and the Anderson Foundation's exposure to custodial credit risk is as follows:

	Fair value amounts at	
	2016	2015
Not subject to custodial credit risk:		
Mutual funds:		
Fixed income – domestic	\$ 435,885	329,328
Fixed income – international	40,956	101,931
Equities – domestic	867,060	785,057
Equities – international	251,979	371,738
Complementary strategies	138,172	187,560
Real estate funds	228,697	222,274
	\$ 1,962,749	1,997,888

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's investments meet the criteria for disclosure except for the corporate obligations and fixed income mutual funds. The Anderson Foundation's IPS limits credit risk by requiring that individual fixed-income securities to have a credit rating of "BBB" quality or above and ensuring no more than 10% of the market value of the investment portfolio to have a credit rating less than single "BBB" quality.

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

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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 percentage</u>	<u>Strategic target percentage</u>	<u>Maximum percentage</u>
Cash	—%	3%	10%
Fixed income	15	21	45
Equities	25	49	75
Real assets	—	12	20
Complementary strategies	—	15	20

The Anderson Foundation's investments were within the minimum and maximum ranges indicated above at June 30, 2016. Investments at June 30, 2015 were within the minimum and maximum ranges set forth by the IPS in existence as of that date.

As of June 30, 2016 and 2015, the Anderson Foundation has investments in the following investments that represent greater than 5% of the total investments:

	<u>2016</u>	<u>2015</u>
Artisan International Fund	\$ *	143,243
ISHARES S&P	239,760	*
Harbor Capital Appreciation Fund	155,936	172,642
MFS Value Fund (Class 1)	112,345	172,611
ISHARES Mid-Cap	102,602	*
Vanguard	101,325	*

* Less 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, 2016 or 2015.

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

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Fair value at June 30, 2016 and 2015 is summarized as follows:

		2016 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	\$	—	—	—	—	—
Mutual funds – fixed income		476,841	476,841	—	—	—
		<u>476,841</u>	<u>476,841</u>	<u>—</u>	<u>—</u>	<u>—</u>
Not exposed to interest rate risk:						
Mutual funds – other than fixed income		1,485,908				
Total investments	\$	<u><u>1,962,749</u></u>				

		2015 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	\$	—	—	—	—	—
Mutual funds – fixed income		431,258	431,258	—	—	—
		<u>431,258</u>	<u>431,258</u>	<u>—</u>	<u>—</u>	<u>—</u>
Not exposed to interest rate risk:						
Mutual funds – other than fixed income		1,566,630				
Total investments	\$	<u><u>1,997,888</u></u>				

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

	June 30, 2016		June 30, 2015	
	Unrestricted	Total	Unrestricted	Total
Interest/dividend income	\$ 59,027	59,027	46,443	46,443
Realized gains, net	14,957	14,957	(5,566)	(5,566)
Unrealized gains, net	(111,141)	(111,141)	(41,666)	(41,666)
Total investment income	<u><u>\$ (37,157)</u></u>	<u><u>(37,157)</u></u>	<u><u>(789)</u></u>	<u><u>(789)</u></u>

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

- *Level 1* inputs are quoted prices (unadjusted) for identical assets in active markets, accessible at the measurement date. Level 1 inputs include exchange markets, dealer markets, brokered markets, and principal-to-principal markets.
- *Level 2* inputs are inputs – other than quoted prices included within Level 1 – that are observable for an asset, either directly or indirectly. Level 2 inputs include quoted prices for similar assets in active markets and quoted prices for identical or similar assets in markets that are not active.
- *Level 3* inputs are unobservable inputs for an asset.

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

The Anderson Foundation has the following recurring fair value measurements as of June 30, 2016:

	Fair value	Fair value measurement using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments held by the Anderson Foundation:				
Mutual funds:				
Fixed income – domestic	\$ 435,885	435,885	—	—
Fixed income – international	40,956	40,956	—	—
Equities – domestic	867,060	867,060	—	—
Equities – international	251,979	251,979	—	—
Complementary strategies	138,172	138,172	—	—
Real estate funds	228,697	228,697	—	—
		\$ 1,962,749	—	—

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The Anderson Foundation has the following recurring fair value measurements as of June 30, 2015:

	Fair value measurement using			
	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments held by the Anderson Foundation:				
Mutual funds:				
Fixed income – domestic	\$ 329,328	329,328	—	—
Fixed income – international	101,931	101,931	—	—
Equities – domestic	785,057	785,057	—	—
Equities – international	371,738	371,738	—	—
Complementary strategies	187,560	187,560	—	—
Real estate funds	222,274	222,274	—	—
		<u>\$ 1,997,888</u>	<u>—</u>	<u>—</u>

(6) Endowments Held by UNM/UNM Foundation

In addition to the funds recorded on the Anderson Foundation's financial statements, UNM/UNM Foundation Endowment Program holds endowment funds and related expendable income funds, which have been contributed for the benefit of the Anderson School. The principal balances amounted to \$17,550,306 and \$20,471,324 as of June 30, 2016 and 2015, respectively. A portion of the earnings from the funds, in the amount of \$823,328 and \$755,735, respectively, was allocated to the spending accounts for sponsored faculty research awards and student scholarships at the Anderson School, as stipulated by the donor. The UNM Foundation (UNMF) estimates quarterly earnings for the first three quarters. The final annual allocation was determined and adjustments were made in the fourth quarter allocation on June 30. The principal endowment balances disclosed herein are not recorded in the Anderson Foundation's financial statements.

The June 30, 2016 principal endowment balance recorded on the UNMF financial statements includes a quasi-endowment established for the Anderson School of Management Building Fund. Quarterly earnings distributions have been made to the spending account. The principal balance amounted to \$314,245 and \$5,549,993 as of June 30, 2016 and 2015, respectively. The June 30, 2016 balance in the quasi-endowment spending account is \$53,978. The majority of the principal and spending account balances were moved during 2016 to the Anderson School Plan/Design account. Construction on the new building is scheduled to begin in January 2017.

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

(7) Nonendowed Funds Held by UNM

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

A detail of nonendowed funds held by UNM (due to the Anderson Foundation or available to the Anderson School) as of June 30, 2016 and 2015 is included below:

	<u>2016</u>	<u>2015</u>
Unrestricted contributions due to the Anderson Foundation	\$ 69,019	1,821
Restricted expendable funds due to the Anderson Foundation – Business Plan Competition account	<u>39,363</u>	<u>73,067</u>
Total due to the Anderson Foundation	108,382	74,888
Other restricted expendable funds available to the Anderson School	<u>283,070</u>	<u>275,016</u>
Total nonendowed funds held by UNM	<u>\$ 391,452</u>	<u>349,904</u>

(8) Net Position

Restricted net position is available for the following purposes:

	<u>2016</u>	<u>2015</u>
Programs	\$ 292,451	275,386
Scholarships	<u>204,879</u>	<u>224,689</u>
Restricted net position	<u>\$ 497,330</u>	<u>500,075</u>

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

	<u>2016</u>	<u>2015</u>
Undesignated	\$ 1,572,963	1,553,097
Designated	<u>453,163</u>	<u>413,360</u>
Unrestricted net position	<u>\$ 2,026,126</u>	<u>1,966,457</u>

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

(9) Risk Management

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

(10) Subsequent Events

Subsequent events are evaluated by management through the date of the accompanying financial statements are available to be issued, which is November 17, 2016.



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

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

The Board of Directors
The Robert O. Anderson Schools of Management Foundation
and
Mr. Timothy Keller, New Mexico State Auditor:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Robert O. Anderson Schools of Management Foundation (the Anderson Foundation), which comprise the Statement of net position as of June 30, 2016, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 17, 2016.

Internal Control over Financial Reporting

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

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

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



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Anderson Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 certain matters that are 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 2016-001.

Management's Response to the Finding

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

Purpose of this Report

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

KPMG LLP

Albuquerque, New Mexico
November 17, 2016

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Schedule of Revenues and Expenses – Executive and Professional Education Center

June 30, 2016

	EMBA program	MBA-ED program	Career and professional development programs	GMAT Prep course	Total
Revenues:					
Student fees	\$ 1,677,606	487,993	—	—	2,165,599
Registration fees	—	—	521,418	66,148	587,566
Total revenues	<u>1,677,606</u>	<u>487,993</u>	<u>521,418</u>	<u>66,148</u>	<u>2,753,165</u>
Direct costs:					
Compensation	230,484	281,929	181,173	31,234	724,820
Bad debt expense	—	—	—	—	—
Books/course materials	166,452	33,728	51,200	451	251,831
Consultants	—	7,000	693	—	7,693
Computer supplies	347	1,355	921	—	2,623
Dues and memberships	3,991	—	459	—	4,450
Equipment	—	3,670	—	—	3,670
Marketing and advertising	49,885	5,414	16,409	—	71,708
Materials and services	11,833	4,695	3,657	515	20,700
Meals and facilities	89,026	4,307	7,843	—	101,176
Parking	15,999	1,481	8,567	—	26,047
Postage and printing	4,247	482	5,147	—	9,876
Service agreement	19,470	—	11,358	1,623	32,451
Student fees	118,743	22,813	—	—	141,556
Telephone	—	240	—	—	240
Training and development	89	—	990	—	1,079
Travel and recruiting	76,996	1,558	6,701	—	85,255
Total direct costs	<u>787,562</u>	<u>368,672</u>	<u>295,118</u>	<u>33,823</u>	<u>1,485,175</u>
Segment contribution	<u>890,044</u>	<u>119,321</u>	<u>226,300</u>	<u>32,325</u>	<u>1,267,990</u>
Allocated fixed costs:					
Staff compensation	370,155	107,673	115,048	14,595	607,471
Copier/office supplies	7,827	2,277	2,433	309	12,846
Equipment	7,885	2,294	2,451	311	12,941
Materials and services	4,977	1,448	1,547	196	8,168
Telephone	4,558	1,326	1,417	180	7,481
Total allocated costs	<u>395,402</u>	<u>115,018</u>	<u>122,896</u>	<u>15,591</u>	<u>648,907</u>
Net revenue from Executive and Professional Education Center	<u>\$ 494,642</u>	<u>4,303</u>	<u>103,404</u>	<u>16,734</u>	<u>619,083</u>

See accompanying independent auditors' report.

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

Schedule of Revenues and Expenses – Executive and Professional Education Center

June 30, 2015

	EMBA program	MBA-ED program	Career and professional development programs	GMAT Prep course	Total
Revenues:					
Student fees	\$ 1,600,945	—	—	—	1,600,945
Registration fees	—	—	670,575	154,001	824,576
Total revenues	<u>1,600,945</u>	<u>—</u>	<u>670,575</u>	<u>154,001</u>	<u>2,425,521</u>
Direct costs:					
Compensation	244,404	—	250,770	59,166	554,340
Bad debt expense	—	—	—	—	—
Books/course materials	146,468	—	25,787	911	173,166
Consultants	7,615	—	969	—	8,584
Computer supplies	428	—	2,136	—	2,564
Dues and memberships	1,185	—	210	—	1,395
Marketing and advertising	36,107	—	36,330	954	73,391
Materials and services	10,378	—	5,397	—	15,775
Meals and facilities	93,459	—	3,898	—	97,357
Parking	15,634	—	6,795	—	22,429
Postage and printing	3,813	—	11,722	932	16,467
Service agreement	19,470	—	11,358	1,623	32,451
Student fees	115,731	—	—	—	115,731
Telephone	—	—	—	—	—
Training and development	8,457	—	—	—	8,457
Travel and recruiting	80,192	—	(93)	—	80,099
Total direct costs	<u>783,341</u>	<u>—</u>	<u>355,279</u>	<u>63,586</u>	<u>1,202,206</u>
Segment contribution	<u>817,604</u>	<u>—</u>	<u>315,296</u>	<u>90,415</u>	<u>1,223,315</u>
Allocated fixed costs:					
Staff compensation	349,857	—	148,129	32,067	530,053
Copier/office supplies	14,166	—	5,998	1,298	21,462
Equipment	—	—	—	—	—
Materials and services	11,558	—	4,894	1,059	17,511
Telephone	5,129	—	2,172	470	7,771
Total allocated costs	<u>380,710</u>	<u>—</u>	<u>161,193</u>	<u>34,894</u>	<u>576,797</u>
Net revenue from Executive and Professional Education Center	<u>\$ 436,894</u>	<u>—</u>	<u>154,103</u>	<u>55,521</u>	<u>646,518</u>

See accompanying independent auditors' report.

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

Statement of Functional Expenses

June 30, 2016

	Program services			Support services		Total
	Faculty support	Student support	Total program services	Fundraising activities	Management and general	
Compensation	\$ 42,499	—	42,499	—	9,237	51,736
Advertising and promotion	15,312	496	15,808	—	13,821	29,629
Audit and accounting	—	—	—	—	25,056	25,056
Bank charges	—	—	—	—	52,346	52,346
Business plan award	—	83,000	83,000	—	—	83,000
Commencement	—	814	814	—	7,280	8,094
Computer supplies	28,074	—	28,074	3,602	3,144	34,820
Conference expenses	—	21,558	21,558	—	—	21,558
Dues and memberships	22,682	7,518	30,200	—	1,005	31,205
Equipment	26,588	—	26,588	—	—	26,588
Honoraria	600	—	600	—	—	600
Insurance	—	—	—	—	4,646	4,646
Materials and services	10,041	16,165	26,206	3,040	11,651	40,897
Meals and facilities	24,321	18,975	43,296	99,714	14,645	157,655
Parking	—	—	—	—	5,400	5,400
Printing and postage	1,013	4,641	5,654	124	1,205	6,983
Publications	—	—	—	29,231	—	29,231
Student and faculty awards	—	32,800	32,800	—	—	32,800
Subscription and books	13,346	849	14,195	—	944	15,139
Telephone	480	—	480	1,935	—	2,415
Training and development	9,929	—	9,929	—	—	9,929
Travel	190,452	17,173	207,625	12,247	13,797	233,669
Total expenses	\$ 385,337	203,989	589,326	149,893	164,177	903,396

See accompanying independent auditors' report.

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

Statement of Functional Expenses

June 30, 2015

	Program services			Support services		Total
	Faculty support	Student support	Total program services	Fundraising activities	Management and general	
Compensation	\$ 56,441	5,066	61,507	—	15,584	77,091
Advertising and promotion	3,616	998	4,614	—	27,469	32,083
Audit and accounting	—	—	—	—	24,406	24,406
Bank charges	—	—	—	—	41,021	41,021
Business plan award	—	55,000	55,000	—	—	55,000
Commencement	—	—	—	—	7,156	7,156
Computer supplies	34,443	3,641	38,084	1,236	1,525	40,845
Conference expenses	—	9,124	9,124	—	—	9,124
Dues and memberships	20,380	5,642	26,022	—	3,555	29,577
Equipment	39,449	2,880	42,329	—	1,489	43,818
Remodel	—	—	—	—	—	—
Honoraria	1,000	—	1,000	—	—	1,000
Insurance	—	—	—	—	4,457	4,457
Materials and services	6,705	10,751	17,456	3,130	14,347	34,933
Meals and facilities	22,135	20,040	42,175	112,526	16,985	171,686
Parking	—	—	—	—	5,577	5,577
Printing and postage	2,470	6,627	9,097	276	712	10,085
Publications	—	—	—	—	—	—
Student and faculty awards	—	23,116	23,116	—	—	23,116
Subscription and books	16,098	3,499	19,597	—	221	19,818
Telephone	667	—	667	1,897	92	2,656
Training and development	44,962	—	44,962	—	80	45,042
Travel	221,881	7,982	229,863	3,561	6,842	240,266
Total expenses	\$ <u>470,247</u>	<u>154,366</u>	<u>624,613</u>	<u>122,626</u>	<u>171,518</u>	<u>918,757</u>

See accompanying independent auditors' report.

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

Schedule of Findings and Responses

Year ended June 30, 2016

Prior Year Findings

None.

Current Year Findings

Finding Number: 2016 – 001

Findings Title: Cash Disbursement Process – Control Deficiency

Type of Finding: Other noncompliance

Condition and Criteria

Anderson Foundation's cash disbursement operating policy is such that any check disbursement over \$5,000 must be signed by two authorized signatories. Out of the twelve check disbursement samples we tested during fiscal 2016 audit, we identified one disbursement above \$5,000 which had only one signature.

Anderson Foundation failed to consistently apply their operating policy to ensure all checks greater than \$5,000 were approved by two authorized signatories.

Effect

Weaknesses in internal control could result in inappropriate cash disbursements.

Cause

Operating procedures are not being consistently applied to ensure all cash disbursements are approved by two authorized signatories.

Auditor's Recommendation

We recommend that Anderson Foundation ensure compliance with its operating procedures for check disbursements over \$5,000.

Management's Response

Operating procedures will be consistently applied to ensure all check disbursements over \$5,000 are approved by two authorized signatories. Three Foundation Board members currently have signature authority: Treasurer, Chair and Past Chair. Checks written in the future will be reviewed by the Operations Manager for compliance. The new procedure will begin with the first batch of checks processed after the finding was identified in August 2016. Once the first signature is obtained, the Accountant 2 delivers the checks over \$5,000 to a different authorized signatory. Before disbursing the checks, the Operations Manager, the Accountant 3, or the Academic Operations Officer reviews all of the checks to confirm that the operating procedures were consistently applied.

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

Exit Conference

Year ended June 30, 2016

An exit conference was held on October 27, 2016. During this meeting, the contents of this report were discussed with the following individuals:

The Robert O. Anderson Schools of Management Foundation

John Chavez,	Board Treasurer Fiscal 2017
Craig White,	Interim Dean
Deborah Bower,	Fiscal Officer
KPMG LLP	
Caroline Garcia	Partner
Lakmini Perera	Manager