

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

Financial Statements

June 30, 2017 and 2016

(With Report of Independent Auditors 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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Official Roster

June 30, 2017

**OFFICERS**

Dennis Garcia, Chair

Tracy Utterback, Vice Chair

John T. Chavez, Treasurer

Stephen Griego, Secretary

Terri Giron-Gordon, Past-Chair

**COMMITTEE CHAIRS**

Rick Anderson, Chair, EPEC Planning and Programming Committee

Xavier Zamarripa, Chair, Advancement Committee

Suzanne Wood Bruckner, Chair, Recruiting and Nominating Committee

John T. Chavez, Chair, Finance Committee

**EX-OFFICIO MEMBERS**

Shawn Berman, Acting Dean

Joe Weiss, Senior Development Officer

**BOARD MEMBERS**

Keith Bandoni

Tom Broderick

Wayne Brown

Andres Casas

Stephanie Catasca

Beth Chase

Joe Christian

Jim Dountas

Robert Gabaldon

Lisa Goodman

Adam Honegger

Ella Leeper

Paul Madrid

Clovis Martin

Marcus Mims

Linda Parker

Ryan A. Shell

Dennis Snyder

Shannon Toma

Janeen Vilven-Doggett

Vickie R. Wilcox

Suzette Longfellow  
(Advisory)

Dhaval Patel (Advisory)

## REPORT OF INDEPENDENT AUDITORS

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, 2017, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Robert O. Anderson Schools of Management Foundation as of June 30, 2017, the respective changes in financial position, and cash flows thereof for the year then ended, in accordance with U.S. generally accepted accounting principles.

***Prior Period Financial Statements***

The financial statements as of and for the year ended June 30, 2016 and 2015, were audited by other auditors whose report dated November 17, 2016, expressed an unmodified opinion on those statements.

***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, 2017 and 2016, on pages 30 through 33 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, 2017 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of revenues and expenses – Executive and Professional Education Center, and statement of functional expenses for the years ended June 30, 2017 is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2017, on our consideration of Anderson Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Anderson Foundation's internal control over financial reporting and compliance.

*Mess Adams LLP*

Albuquerque, New Mexico  
October 18, 2017

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

Management's Discussion and Analysis

June 30, 2017 and 2016

(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, 2017, 2016, and 2015. 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, 2017, 2016, and 2015 and the following, which comprise the basic financial statements:

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

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

The Anderson Foundation condensed financial information as of and for the fiscal years ended June 30, 2017, 2016, and 2015 are provided in the following table:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Current assets	\$ 4,969,278	4,380,607	4,663,122
Current liabilities	1,750,667	1,857,151	2,196,590
Net position:			
Unrestricted	2,677,535	2,026,126	1,966,457
Restricted	541,076	497,330	500,075
Total net position	<u>3,218,611</u>	<u>2,523,456</u>	<u>2,466,532</u>
Total liabilities and net position	<u>\$ 4,969,278</u>	<u>4,380,607</u>	<u>4,663,122</u>

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**Current Assets**

A majority of the current assets at year-end are in the form of cash/cash equivalents and investments. The increase in cash and equivalents is a result of increased net revenue from the Executive and Professional Education Center (EPEC). The primary factor contributing to any increase or decrease in investments is the performance of the investment portfolio during each year. There were no additional funds transferred to the investment account in 2017 and no funds distributed since the investment portfolio began in 2005.

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

Accounts receivable at the Anderson Foundation consists primarily of receivables for programs at the Executive and Professional Education Center (EPEC). There are currently two active EMBA cohort groups and two MBA-ED cohorts. Both programs are two year programs (7 semesters) starting and ending in the summer semester. Anderson Foundation sets up the receivable at the beginning of each fiscal year by debiting accounts receivable and crediting unearned revenue. Revenue is recognized each month based on actual student registration with the majority of the students registering before the start of the semester. If a student in either program leaves the program without registering for classes, the receivable and unearned revenue are reversed. If the student registers, attends the class and does not drop within the allowed time at UNM, the student owes the tuition for the class or classes. The allowance account balance of \$18,875 is considered sufficient at June 30, 2017. The UNM Bursar's Office handles all uncollectible student accounts for the Executive MBA and MBA-ED programs. No accounts were sent to collections in 2017 by UNM.

Prepaid expenses decreased slightly in 2017 and include a deposit to the travel agency for an EMBA trip to Spain and Morocco in September 2017 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. Deposits to the travel agency for the international trips in the fall semester are considered prepaid if the deposits are paid in one fiscal year and the travel is in another. There were no textbooks purchased before June 30, 2017 for the two degree programs, as in previous years.

**Current Liabilities**

The current liabilities decreased in 2017 as a result of a slight increase in the payable to UNM, offset by the decrease in unearned revenue. To be consistent with the UNM practice of recognizing 50% of the summer revenue in the current fiscal year and 50% in the next year, Anderson Foundation adopted the same procedure for the EMBA and MBA-ED summer registrations in 2016. The 2016 unearned income is a combination of the old procedure in



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summer 2015 of recognizing earned and unearned revenue by course to the UNM procedure in summer 2016. The 2017 unearned income reflects the UNM procedure in both summer 2016 and 2017.

Tuition for EMBA cohorts 2015-2017 and 2016-2018 is \$1,070 per credit hour. Tuition for the 2017–2019 cohort increased to \$1,085 per credit hour. MBA-ED tuition has been \$801 per credit hour since the beginning of the program in fall 2015.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
EMBA students from prior Cohort	\$ —	51,690	72,875
EMBA Cohort 2014-2016 (35 students)	—	120,413	853,015
EMBA Cohort 2015-2017 (29 students)	111,815	123,050	218,280
EMBA Cohort 2016-2018 (39 students)	187,250	140,705	
EMBA Cohort 2017-2019 (38 students)	150,273	—	
International trip (Germany/Prague 2015)	—	—	28,438
Total EMBA unearned revenue	<u>449,338</u>	<u>435,858</u>	<u>1,172,608</u>
MBA-ED Cohort 2015-2017 (14 students)	25,632	134,568	168,990
MBA-ED Cohort 2016-2018 (25 students)	115,988	192,243	—
MBA-ED Cohort 2017-2019 (24 students)	57,672	—	—
Total MBA-ED unearned revenue	<u>199,292</u>	<u>326,811</u>	<u>168,990</u>
Career and professional development	7,200	3,730	—
Other	340	—	—
All unearned revenue	<u>\$ 656,170</u>	<u>766,399</u>	<u>1,341,598</u>

The unearned revenue for the Germany/Prague international residency in fall 2015 was the last year that EPEC collected deposits for the trip directly from the students. The \$28,438 was collected from the 2014-2016 cohort before June 30, 2015 and expensed in fall 2015. Starting with the international residency trip to Estonia/Finland in 2016, the students paid their portion directly to the travel agency. As a result of the change, there are no unearned revenues related to the international residency in 2016 and 2017.

The other significant current liability is the amount due to the University of New Mexico (UNM) for salaries, fringe benefits, travel, equipment and operating expenses paid through UNM for the Anderson Foundation. The majority of the expenses are for EPEC degreed programs (EMBA and MBA-ED Leadership). A portion of the EPEC expenditures are offset by student financial aid and revenue received through UNM for the degreed programs. Financial aid is collected by UNM's Bursar Office and transferred to the Anderson Foundation when students are registered. The online payments for Career and Professional Development (CPD) and GRE/GMAT programs are

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received through UNM Touchnet and UNM staff and faculty tuition remission. The remaining payable was for other EPEC expenses and functional expenses, including faculty and student support, general and management, and fundraising. Fluctuations in the balances each year depend on the type of expenditures and the revenue received through UNM. The MBA-ED Leadership program, started in fall 2015, added additional faculty and staff salaries and benefits to the amount due to UNM at year-end June 30, 2016 and 2017.

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, student 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.

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 Leadership programs, Career and Professional Development (CPD), and GRE/GMAT preparation classes. The

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GRE/GMAT sections are open to all people planning to take either the GMAT or GRE tests, including students interested in the Anderson EMBA, MBA, Masters of Accounting and other Anderson School concentrations.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating revenues:			
Executive and Professional Education Center (EPEC) operations:			
Revenues	\$ 3,086,126	2,753,165	2,425,521
Expenses	(2,130,271)	(2,134,082)	(1,779,003)
Net revenue from EPEC operations	955,855	619,083	646,518
Other revenues and support	529,432	504,751	501,126
Total operating revenues and other support	<u>1,485,287</u>	<u>1,123,834</u>	<u>1,147,644</u>
Operating expenses:			
Program services	604,455	589,326	624,613
Fundraising activities	121,131	149,893	122,626
Management and general	172,142	164,177	171,518
Total operating expenses	<u>897,728</u>	<u>903,396</u>	<u>918,757</u>
Operating income	<u>587,559</u>	<u>220,438</u>	<u>228,887</u>
Nonoperating revenues (expenses):			
Investment activities	213,563	(37,157)	(789)
Transfer to UNM Foundation	(105,967)	(126,357)	(29,107)
Nonoperating revenues (expenses), net	<u>107,596</u>	<u>(163,514)</u>	<u>(29,896)</u>
Increase in net position	695,155	56,924	198,991
Net position, beginning of year	<u>2,523,456</u>	<u>2,466,532</u>	<u>2,267,541</u>
Net position, end of year	<u>\$ 3,218,611</u>	<u>2,523,456</u>	<u>2,466,532</u>

**Total Operating Revenues and Other Support and Operating Expenses**

Operating revenues and other support: Increases in the EPEC revenues are attributed to the addition of the MBA-ED Leadership program in fall 2015, changes in the tuition rates and the number of students in the various degreed cohort groups. The Woodrow Wilson Foundation pays the MBA-ED tuition and fees for the students and

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reimburses EPEC for administrative costs, including salaries and benefits for the two full-time staff members to manage the program and a faculty member to oversee curriculum. Other educational products offered by EPEC include a number of Career and Professional Development (CPD) standard and customized programs and GRE/GMAT preparatory classes. The revenue from both programs decreased in 2017 due to staff changes and demand for the programs.

Other operating revenues at the Anderson Foundation include restricted and unrestricted donations, the Business Plan Competition, faculty consulting projects, conferences, and fundraising events, such as the annual Hall of Fame. The table sales and contributions for the endowed scholarship 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 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 and 2017 Hall of Fame contributions/table sales were the largest to date with a net of \$105K transferred to the Hall of Fame Endowed Scholarship each year. 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 employee salaries and benefits. Faculty, staff, and students working for EPEC or the Anderson Foundation are considered employees of The University of New Mexico. The salaries, payroll taxes, and UNM benefits for the faculty teaching in the various programs and staff and students supporting the programs are paid through UNM and reimbursed annually as part of the due to UNM payable. All compensation increased significantly in 2016 and slightly in 2017 due to the addition of the MBA-ED Leadership program. Other expenses also increased in 2016 but remained steady in 2017. Books/course materials and student fees increased in 2016 because of the increase in students, largely in the MBA-ED Leadership 2016 and 2017 cohorts. Student fees paid to UNM are at the same rate as other UNM graduate students and allow EMBA and MBA-ED students to use UNM libraries, student health, Johnson gym, and other facilities.

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

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**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 and decreased in 2017 compared to 2016. There were no realized gains/losses in 2017. Net unrealized gains on investments increased in 2017. Investment earnings are a result of the performance of the investment portfolio. There were no additional deposits to the investment and no withdrawals in 2017. The overall result was an increase in the investment balance in 2017.

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 fundraising events. The 2016 and 2015 transfers were from the annual Hall of Fame 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, 2017 and 2016

<b>Assets</b>	<b>2017</b>	<b>2016</b>
Current assets:		
Cash and cash equivalents	\$ 2,116,184	1,603,802
Investments	2,126,778	1,962,749
Accounts receivable, less allowance for doubtful receivables of \$18,875 in 2017 and \$25,000 in 2016	554,245	595,052
Due from The University of New Mexico	103,486	108,382
Inventory – EPEC textbooks/brochures	—	28,849
Prepaid expenses – EPEC	65,776	80,556
Promotion items on hand	2,809	1,217
Total current assets	\$ 4,969,278	4,380,607
<b>Liabilities and Net Position</b>		
Current liabilities:		
Accounts payable	\$ 999	10,394
Due to The University of New Mexico	1,093,498	1,080,358
Unearned revenue	656,170	766,399
Total current liabilities	1,750,667	1,857,151
Net position:		
Unrestricted	2,677,535	2,026,126
Restricted	541,076	497,330
Total net position	3,218,611	2,523,456
Total liabilities and net position	\$ 4,969,278	4,380,607

See accompanying notes to financial statements.

**THE ROBERT O. ANDERSON  
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Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenues and other support:		
Executive and Professional Education Center revenues	\$ 3,086,126	2,753,165
Executive and Professional Education Center direct and allocated costs	<u>(2,130,271)</u>	<u>(2,134,082)</u>
Net revenue from Executive and Professional Education Center operations	955,855	619,083
Contributions	145,686	155,087
Consulting and conference revenue	198,183	151,080
Fundraising events	164,140	179,392
Other income	<u>21,423</u>	<u>19,192</u>
Total operating revenues and other support	<u>1,485,287</u>	<u>1,123,834</u>
Operating expenses:		
Program services	604,455	589,326
Fundraising activities	121,131	149,893
Management and general	<u>172,142</u>	<u>164,177</u>
Total operating expenses	<u>897,728</u>	<u>903,396</u>
Operating income	<u>587,559</u>	<u>220,438</u>
Nonoperating revenues and expenses:		
Interest/dividend income	25,867	59,027
Net unrealized and realized losses on investments	187,696	(96,184)
Transfer to UNM Foundation	<u>(105,967)</u>	<u>(126,357)</u>
Nonoperating revenues and expenses, net	<u>107,596</u>	<u>(163,514)</u>
Increase in net position	695,155	56,924
Net position, beginning of year	<u>2,523,456</u>	<u>2,466,532</u>
Net position, end of year	<u>\$ 3,218,611</u>	<u>2,523,456</u>

See accompanying notes to financial statements.

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

Statements of Cash Flows

Years ended June 30, 2017 and 2016

	<b>2017</b>	<b>2016</b>
Cash flows from operating activities:		
Receipts from Executive and Professional Development Center	\$ 3,016,705	2,756,752
Receipts from other revenues and support	534,327	471,257
Payments to The University of New Mexico	(1,080,358)	(829,724)
Payments to outside vendors	(1,901,859)	(1,944,422)
	568,815	453,863
Cash flows from noncapital financing activity – transfers to UNM Foundation	(105,967)	(126,357)
Cash flows from investing activities:		
Investments purchased	—	(1,243,978)
Investments proceeds	23,667	1,182,933
Investment income	25,867	59,027
	49,534	(2,018)
Net cash flows provided by (used in ) investing activities	49,534	(2,018)
Net increase in cash and cash equivalents	512,382	325,488
Cash and cash equivalents, beginning of year	1,603,802	1,278,314
Cash and cash equivalents, end of year	\$ 2,116,184	1,603,802
Reconciliation of changes in net position to net cash from operating activities:		
Operating income	\$ 587,559	220,438
Adjustments to reconcile changes in net position to net cash		
Changes in assets and liabilities:		
Accounts receivable - net of allowance	40,807	578,786
Due from The University of New Mexico	4,896	(33,494)
Inventory – EPEC textbooks	28,849	18,623
Prepaid expenses - EPEC	14,780	8,394
Promotional items on hand	(1,592)	555
Accounts payable	(9,395)	(14,874)
Due to The University of New Mexico	13,140	250,634
Unearned revenues	(110,229)	(575,199)
Net cash flows provided by operating activities	\$ 568,815	453,863

See accompanying notes to financial statements.



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

Notes to Financial Statements

June 30, 2017 and 2016

**(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***

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

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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. 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.

**(3) Related-Party Transactions**

As of June 30, 2017 and 2016, the Anderson Foundation has net accounts payable of \$1,093,498 and \$1,080,358, 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, 2017 is included below:

Name of depository	Account name	Account type	Bank balance	Reconciling items	Reconciled balance
Wells Fargo	Operating	Cash	\$ 268,357	49,410	317,767
Wells Fargo	Sweep	Cash	1,726,278	—	1,726,278
Wells Fargo	Investment	Money market	72,139	—	72,139
			<u>\$ 2,066,774</u>	<u>49,410</u>	<u>2,116,184</u>

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
			<u>\$ 1,596,739</u>	<u>7,063</u>	<u>1,603,802</u>

*Custodial Credit Risk* – Custodial credit risk is the risk that, in the event of a bank failure, the entity’s deposits may not be returned to it.

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The Anderson Foundation had a total of \$2,066,774 and \$1,596,739 on deposit with a local financial institution at June 30, 2017 and 2016, 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, 2017 and June 30, 2016 was insured up to the first \$250,000 by the Federal Deposit Insurance Corporation (FDIC), and the remaining balances of \$1,726,278 and \$1,323,703 for 2017 and 2016, 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 \$2,126,778 and \$1,962,749 as of June 30, 2017 and 2016, 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.

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

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

*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.

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A summary of the investments held by the Anderson Foundation at June 30, 2017 and 2016 and the Anderson Foundation's exposure to custodial credit risk is as follows:

	<b>Fair value amounts at</b>	
	<b>2017</b>	<b>2016</b>
Not subject to custodial credit risk:		
Mutual funds:		
Fixed income – domestic	\$ 429,871	435,885
Fixed income – international	42,127	40,956
Equities – domestic	1,000,624	867,060
Equities – international	298,795	251,979
Complementary strategies	140,806	138,172
Real estate funds	214,555	228,697
	\$ 2,126,778	1,962,749

*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 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:

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

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The Anderson Foundation's investments were within the minimum and maximum ranges indicated above at June 30, 2017. Investments at June 30, 2016 were within the minimum and maximum ranges set forth by the IPS in existence as of that date.

As of June 30, 2017 and 2016, the Anderson Foundation has investments in the following investments that represent greater than 5% of the total investments:

	<u>2017</u>	<u>2016</u>
ISHARES S&P	\$ 277,244	\$ 239,760
Harbor Capital Appreciation Fund	182,659	155,936
MFS Value Fund (Class 1)	126,456	112,345
ISHARES Mid-Cap	117,187	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, 2017 or 2016.

*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, 2017 and 2016 summarized as follows:

		2017 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		471,998	471,998	—	—	—
		471,998	471,998	—	—	—
Not exposed to interest rate risk:						
Mutual funds – other than fixed income		1,654,780				
Total investments	\$	2,126,778				

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



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

	<u>June 30, 2017</u>		<u>June 30, 2016</u>	
	<u>Unrestricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Total</u>
Interest/dividend income	\$ 25,867	25,867	59,027	59,027
Realized gains, net	—	—	14,957	14,957
Miscellaneous Adjustments	20,831	20,831		
Unrealized gains (loss), net	<u>166,865</u>	<u>166,865</u>	<u>(111,141)</u>	<u>(111,141)</u>
Total investment income	<u>\$ 213,563</u>	<u>213,563</u>	<u>(37,157)</u>	<u>(37,157)</u>

*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.

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The Anderson Foundation has the following recurring fair value measurements as of June 30, 2017:

	<b>Fair value</b>	<b>Fair value measurement using</b>		
		<b>Quoted prices in active markets for identical assets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>
Investments held by the Anderson Foundation:				
Mutual funds:				
Fixed income – domestic	\$ 429,871	429,871	—	—
Fixed income – international	42,127	42,127	—	—
Equities – domestic	1,000,624	1,000,624	—	—
Equities – international	298,795	298,795	—	—
Complementary strategies	140,806	140,806	—	—
Real estate funds	214,555	214,555	—	—
		<u>\$ 2,126,778</u>	<u>—</u>	<u>—</u>

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

	<b>Fair value</b>	<b>Fair value measurement using</b>		
		<b>Quoted prices in active markets for identical assets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>
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	—	—
		<u>\$ 1,962,749</u>	<u>—</u>	<u>—</u>

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**(6) Endowments Held by UNM/UNM Foundation**

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

The principal balance amounted to \$17,717,212 and \$17,550,306 as of June 30, 2017 and 2016, respectively. A portion of the earnings from the endowed funds, in the amount of \$658,743 and \$823,328, respectively, were allocated by UNM Foundation (UNMF) to the expendable income accounts for sponsored faculty research awards, programs, and student scholarships at the Anderson School, as well as for the McKinnon Center for Management (MCM) building, as stipulated by the donors. The Anderson School of Management awarded \$253,235 in student scholarships in 2017.

The decrease in the spending allocation in 2017 is due to the principal funds in the MCM building quasi-endowment being transferred to the UNM plan/design account to start construction of the new building. The majority of the donated funds were transferred in 2016 as needed. Additional transfers were made in 2017.

The June 30, 2017 principal endowment balance recorded on the UNMF financial statements includes the remaining balance of the quasi-endowment. The quasi-endowment account was established for the Anderson School of Management Building Fund with a \$5M contribution. Quarterly earnings distributions were made to the expendable income account and additional donations were received. The principal balance amounted to \$36,494 and \$314,245 as of June 30, 2017 and 2016, respectively. The June 30, 2017 balance in the quasi-endowment expendable account is \$12,856. The majority of the principal and spending account balances were transferred during 2016 and 2017 to the UNM plan/design account. Construction on the McKinnon Center for Management began in January 2017 and is scheduled to be completed by May 2018.

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

**(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.

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A detail of nonendowed funds held by UNM (due to the Anderson Foundation or available to the Anderson School) as of June 30, 2017 and 2016 is included below:

	<u>2017</u>	<u>2016</u>
Unrestricted contributions due to the Anderson Foundation	\$ 93,865	69,019
Restricted expendable funds due to the Anderson Foundation – Business Plan Competition account	<u>9,621</u>	<u>39,363</u>
Total due to the Anderson Foundation	103,486	108,382
Other restricted expendable funds available to the Anderson School	<u>429,345</u>	<u>283,070</u>
Total nonendowed funds held by UNM	<u><u>\$ 532,831</u></u>	<u><u>391,452</u></u>

**(8) Net Position**

Restricted net position is available for the following purposes:

	<u>2017</u>	<u>2016</u>
Programs	\$ 293,594	292,451
Scholarships	<u>247,482</u>	<u>204,879</u>
Restricted net position	<u><u>\$ 541,076</u></u>	<u><u>497,330</u></u>

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

	<u>2017</u>	<u>2016</u>
Undesignated	\$ 2,180,174	1,572,963
Designated	<u>497,361</u>	<u>453,163</u>
Unrestricted net position	<u><u>\$ 2,677,535</u></u>	<u><u>2,026,126</u></u>

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.

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**(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 October 18, 2017.

**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***

The Board of Directors  
The Robert O. Anderson Schools of Management Foundation  
and  
Mr. 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, 2017, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 18, 2017.

**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.

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

### **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 2017-001.

### **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.

*Mess Adams LLP*

Albuquerque, New Mexico  
October 18, 2017

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

Schedule of Revenues and Expenses – Executive and Professional Education Center

June 30, 2017

	<u>EMBA program</u>	<u>MBA-ED program</u>	<u>Career and professional development programs</u>	<u>GMAT Prep course</u>	<u>Total</u>
Revenues:					
Student fees	\$ 1,648,538	1,008,575	—	—	2,657,113
Registration fees	—	—	388,878	40,135	429,013
Total revenues	<u>1,648,538</u>	<u>1,008,575</u>	<u>388,878</u>	<u>40,135</u>	<u>3,086,126</u>
Direct costs:					
Compensation	238,978	289,863	148,237	25,773	702,851
Books/course materials	146,382	70,104	22,025	392	238,903
Consultants	—	900	1,458	—	2,358
Computer/office supplies	1,493	1,858	1,254	—	4,605
Dues and memberships	2,083	—	63	—	2,146
Marketing and advertising	33,294	4,069	23,142	—	60,505
Materials and services	10,913	4,726	4,612	516	20,767
Meals and facilities	85,774	4,755	1,000	—	91,529
Parking	20,519	1,255	7,619	—	29,393
Postage and printing	763	577	12,699	—	14,039
Service agreement	20,616	5,250	6,364	1,382	33,612
Student fees	122,927	67,040	—	—	189,967
Training and development	8,493	—	—	—	8,493
Travel and recruiting	55,013	11,299	1,439	—	67,751
Total direct costs	<u>747,248</u>	<u>461,696</u>	<u>229,912</u>	<u>28,063</u>	<u>1,466,919</u>
Segment contribution	<u>901,290</u>	<u>546,879</u>	<u>158,966</u>	<u>12,072</u>	<u>1,619,207</u>
Allocated fixed costs:					
Staff compensation	335,148	204,360	80,287	8,135	627,930
Copier/office supplies	8,070	4,921	1,933	196	15,120
Equipment	2,217	1,352	531	54	4,154
Materials and services	4,170	2,542	999	101	7,812
Telephone	4,449	2,713	1,066	108	8,336
Total allocated costs	<u>354,054</u>	<u>215,888</u>	<u>84,816</u>	<u>8,594</u>	<u>663,352</u>
Net revenue from Executive and Professional Education Center	<u>\$ 547,236</u>	<u>330,991</u>	<u>74,150</u>	<u>3,478</u>	<u>955,855</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, 2016

	<u>EMBA program</u>	<u>MBA-ED program</u>	<u>Career and professional development programs</u>	<u>GMAT Prep course</u>	<u>Total</u>
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)

Statement of Functional Expenses

June 30, 2017

	<b>Program services</b>			<b>Support services</b>		<b>Total</b>
	<b>Faculty support</b>	<b>Student support</b>	<b>Total program services</b>	<b>Fundraising activities</b>	<b>Management and general</b>	
Compensation	\$ 73,806	—	73,806	—	9,811	83,617
Advertising and promotion	3,566	310	3,876	—	12,996	16,872
Audit and accounting	—	—	—	—	26,089	26,089
Bank charges	—	—	—	—	51,009	51,009
Business plan award	—	64,380	64,380	—	—	64,380
Commencement	—	—	—	—	2,285	2,285
Computer supplies	20,347	1,867	22,214	378	1,563	24,155
Conference expenses	5,514	17,937	23,451	—	—	23,451
Dues and memberships	18,483	6,643	25,126	—	4,581	29,707
Equipment	22,608	2,544	25,152	—	724	25,876
Honoraria	3,250	240	3,490	—	3,000	6,490
Insurance	—	—	—	—	4,817	4,817
Materials and services	15,409	13,889	29,298	4,369	10,361	44,028
Meals and facilities	21,447	18,770	40,217	101,271	24,709	166,197
Parking	—	—	—	—	11,553	11,553
Printing and postage	2,523	990	3,513	30	418	3,961
Publications	—	—	—	11,115	—	11,115
Student and faculty awards	10,400	24,120	34,520	—	—	34,520
Subscription and books	10,541	75	10,616	—	—	10,616
Telephone	440	—	440	2,093	2	2,535
Training and development	27,455	—	27,455	—	—	27,455
Travel	205,544	11,357	216,901	1,875	8,224	227,000
Total expenses	\$ 441,333	163,122	604,455	121,131	172,142	897,728

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	\$ <u>385,337</u>	<u>203,989</u>	<u>589,326</u>	<u>149,893</u>	<u>164,177</u>	<u>903,396</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, 2017

**Prior Year Findings**

2016 – 001 - Cash Disbursement Process – Control Deficiency                      Resolved

**Current Year Findings**

**2017 – 001 - Financial Control and Reporting Process – Findings that do not rise to the level of significant deficiency**

**Condition:** Anderson Foundation did not reconcile all accounts prior to the audit causing 14 client adjustments to the trial balance. These adjustments while not material impacted unearned/earned revenue and overall net income. In addition, the adjustments delayed the process of receiving the draft financial statements.

**Criteria:** Account reconciliations are an important element of internal control, facilitating timely detection of book/subsidiary ledger differences so they can be investigated timely and resolved.

**Effect:** Errors in the general ledger can go undetected if not reconciled timely and may not reflect all available resources to the Anderson Foundation.

**Cause:** Fiscal officer did not reconcile all the accounts prior to the audit, due to lack of resources. With the increase in MBA-ED Cohorts, the reconciliation over the program required more resources than one person could handle.

**Recommendations:** Additional resources should be obtained and utilized to ensure that unreconciled differences are investigated and resolved as soon as feasibly possible. This will ensure that Anderson Foundation’s recorded balances on the general ledger represent complete and accurate representation of available resources to Anderson Foundation at the time of audit.

**Management’s Response:** The Anderson Foundation Fiscal Officer and the Interim Dean discussed the options available to the Anderson Foundation to assure that all reconciliations are submitted timely to the auditors and that the draft financial statements are submitted by the deadline.

Currently, the Foundation Fiscal Officer and the Accountant II are the only staff with access to the Sage software used by the Anderson Foundation. The Anderson Foundation has grown over the years by adding additional programs, both degreed and non-degreed. Most of the detail is posted manually to Sage. The Foundation Fiscal Officer is also the Fiscal Agent and the HR Agent for the UNM Anderson School of Management, overseeing the UNM Anderson budget, expenditures, faculty, staff and student hiring and other duties. As the duties, both at UNM and the Anderson Foundation, increased over the years the staffing has not changed.

One of the first changes already implemented was to add the Operations Manager (OM) to Sage. The OM will post student financial aid, tuition remissions and scholarships to the individual students in Sage from the information available on UNM Student Banner. The OM will reconcile the Sage student accounts receivable to the Student Banner accounts receivable. The Foundation Fiscal Officer will review and confirm the student receivable balances.

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Schedule of Findings and Responses

Year ended June 30, 2017

The Foundation Fiscal Officer and the Accountant II will make changes to the Sage processes such as how the initial receivable and the prepayments from the MBA-ED and EMBA students are handled. Additional reconciliations, to be determined, will be assigned to the Accountant II. The Foundation Fiscal Officer will explore ways to post revenues and expenses electronically to Sage, rather than manually. Posting manually has added significantly to the workload.

The Foundation Fiscal Officer contacted the Provost Office to explore the possibility of shared services. They will meet to discuss the services that are currently available to the Colleges/Schools at UNM.

The Foundation Fiscal Officer and staff immediately implemented the changes. The majority of the accounts will be reconciled monthly. The exception will be revenue from EPEC degreed and non-degreed programs. The EPEC revenue accounts will be reconciled quarterly to coincide with the Anderson Foundation Board of Director meetings.

**THE ROBERT O. ANDERSON  
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Exit Conference

Year ended June 30, 2017

An exit conference was held on September 20, 2017. 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

Shawn Berman, Interim Dean

Deborah Bower, Fiscal Officer

**Moss Adams LLP**

Lisa Todd, Partner

Corrine Zajac-Clarkson, Senior Manager