



REPORT OF INDEPENDENT AUDITORS AND FINANCIAL  
STATEMENTS

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

June 30, 2019 and 2018

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

Official Roster (unaudited)

June 30, 2019

**OFFICERS**

Paul Madrid, Chair  
Tracy Utterback, Vice Chair  
Paul Madrid, Treasurer  
Clovis Martin, Secretary  
Tracy Utterback, Past-Chair

**COMMITTEE CHAIRS**

Michael Buehler, Chair, EPEC Planning and Programming Committee  
Eddie C. Padilla, Chair, Advancement Committee  
Tom Broderick, Chair, Recruiting and Nominating Committee  
Clovis Martin, Chair, Finance Committee  
Michael Buehler, Chair, EPEC Committee  
Stephen Griego, Chair, UNM Entrepreneurial Challenge

**EX-OFFICIO MEMBERS**

Shawn Berman, Interim Dean  
Joe Weiss, Senior Development Officer

**BOARD MEMBERS**

Scott Aeilts	Stephen Griego
Emily Allen	Mike Loftin
Beverly Bendicksen	Conner R. Marshall
Andres Casas	Jennifer McMath
Stephanie Catasca	Marcus Mims
Earl E. Debrine, Jr.	Ryan A. Shell
Eddie Duffy	Derek Valdo
Michael J. Fanning	Marvis Vallo
Lisa Goodman	Janeen Vilven-Doggett
Mike Gorman	Alejandra "Ale" Veltman
Suzette Longfellow (Advisory)	Dhaval Patel (Advisory)
Tom Broderick (Advisory)	

## **Report of Independent Auditors**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Robert O. Anderson Schools of Management Foundation (the Anderson Foundation), a component unit of the University of New Mexico, which comprise the statements of net position as of June 30, 2019 and 2018, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended and the related notes to the financial statements, which collectively comprise Anderson Foundation's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Robert O. Anderson Schools of Management Foundation as of June 30, 2019 and 2018, the changes in its financial position, and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

### ***Other Matters***

#### *Required Supplementary Information*

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

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Anderson Foundation's basic financial statements. The schedules of revenues and expenses – Executive and Professional Education Center, and statements of functional expenses for the years ended June 30, 2019 and 2018, 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, 2019 and 2018 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of revenues and expenses – Executive and Professional Education Center, and statements of functional expenses for the years ended June 30, 2019 and 2018 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 September 24, 2019, 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  
September 24, 2019

**The Robert O. Anderson Schools of Management Foundation**  
**(A Component Unit of the University of New Mexico)**  
**Management's Discussion and Analysis**  
**June 30, 2019 and 2018**  
**(Unaudited)**

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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, 2019, 2018 and 2017. 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, 2019, 2018 and 2017 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, 2019, 2018 and 2017 are provided in the following table:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current assets	<u>\$ 5,327,756</u>	<u>\$ 5,135,071</u>	<u>\$ 4,969,278</u>
Current liabilities	<u>\$ 1,679,182</u>	<u>\$ 1,558,579</u>	<u>\$ 1,750,667</u>
Net position:			
Unrestricted	\$ 3,184,092	\$ 3,086,009	\$ 2,677,535
Restricted	<u>464,482</u>	<u>490,483</u>	<u>541,076</u>
Total net position	<u>3,648,574</u>	<u>3,576,492</u>	<u>3,218,611</u>
Total liabilities and net position	<u>\$ 5,327,756</u>	<u>\$ 5,135,071</u>	<u>\$ 4,969,278</u>

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**Management's Discussion and Analysis**  
**June 30, 2019 and 2018**  
**(Unaudited)**

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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 decrease in cash and equivalents in 2018 is a result of transferring funds to the investment account in June 2018. Funds transferred to the investment account were initially deposited as cash. In 2018 and 2019, \$80,000 was allocated according to the Board Spending policy. In 2018 and 2019, \$25,000 was allocated to the Business Plan Competition (currently known as the Entrepreneurship Challenge), \$50,000 to hire an intern for the Anderson development area, and \$5,000 was allocated for marketing/recruiting. In 2018, \$500,000, less the \$80,000 was transferred to the investment account with Merrill Lynch, resulting in a \$420,000 increase. The primary factor contributing to any other increase or decrease in investments is the performance of the investment portfolio during each year. The funds allocated in 2018 were the first funds distributed since the investment portfolio began in 2005.

In summer 2017, the Anderson Foundation changed managers for the investment account. Several members of the Anderson Foundation Finance Committee created a Request for Proposals (RFP) document to solicit bids from companies in the area. A total of thirteen companies submitted their proposals. The committee reviewed all of the submissions and presented three proposals to the Finance Committee. A recommendation was sent to the Board for their approval. The Armstrong Humphrey Group at Merrill Lynch received the contract. Funds were moved to Merrill Lynch in fall 2017.

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

Accounts receivable at the Anderson Foundation consists primarily of receivables for programs at the Executive and Professional Education Center (EPEC). There are currently two active EMBA cohort groups and two MBA-ED cohorts. Both programs are two year programs (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, 2019. The UNM Bursar's Office handles all uncollectible student accounts for the Executive MBA and MBA-ED programs.

Prepaid expenses in 2018 include a deposit to the travel agency for an EMBA trip in September 2018 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 trip in the fall semester are considered prepaid if the deposits are paid in one fiscal year and the travel is in another. In 2019, the travel agency was not paid in 2019, but in 2020 when the trip takes place. In 2019, there were no prepaid expenses for this trip.



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Prepaid balances consisted only of software. Textbooks purchased before June 30, 2019 for the two degreed programs are considered prepaid if the books are used for classes offered in the next fiscal year 2019-2020.

**Current Liabilities**

The current liabilities increased in 2019 as a result of an increase in the payable Due to UNM. Increases and decreases to Due to UNM are a result of several factors explained below. To be consistent with the UNM practice of recognizing 50% of the summer revenue in the current fiscal year and 50% in the next year, Anderson Foundation adopted the same procedure for the EMBA and MBA-ED summer registrations in 2016 and continued in 2017, 2018 and 2019. Each summer will have 50% of tuition earned and 50% unearned on the financial statements. Pre-paid tuition for future semesters are also considered unearned income and are reflected in the charts below.

Tuition for EMBA cohort 2016-2018 is \$1,070 per credit hour. Tuition for the 2017-2019 and 2018-2020 cohorts increased to \$1,085 per credit hour. MBA-ED tuition has been \$801 per credit hour since the beginning of the program in 2015, but was reduced to \$800 for the 2018-2020 cohort.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
EMBA students from prior cohorts	\$ 1,489	180,505	299,065
EMBA Cohort 2017-2019 (30 students)	109,585	131,828	150,273
EMBA Cohort 2018-2020 (38 students)	203,980	169,260	-
EMBA Cohort 2019-2021 (40 students)	<u>150,848</u>	<u>-</u>	<u>-</u>
Total EMBA unearned revenue	465,902	481,593	449,338
MBA-ED students from prior cohorts	3,141	32,440	141,620
MBA-ED Cohort 2017-2019 (24 students)	88,110	57,672	57,672
MBA-ED Cohort 2018-2020 (18 students)	94,050	94,055	-
MBA-ED Cohort 2019-2021 (16 students)	<u>42,000</u>	<u>-</u>	<u>-</u>
Total MBA-ED unearned revenue	227,301	184,167	199,292
Career and professional development and other	<u>-</u>	<u>1,000</u>	<u>7,540</u>
All unearned revenue	<u>\$ 693,203</u>	<u>\$ 666,760</u>	<u>\$ 656,170</u>

The accounts payable to the University of New Mexico (Due to UNM) is the net of Anderson Foundation, including EPEC, expenses paid through UNM and the student tuition collected at UNM Bursar's Office and transferred to UNM Banner indices for the Anderson Foundation. The expenses through UNM are for faculty, student and staff salaries related to Anderson Foundation, payroll taxes and 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

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(CPD) and GRE/GMAT programs are received through UNM Touchnet and UNM staff and faculty tuition remission. The remaining Due to UNM payable was for other EPEC expenses and functional expenses, including faculty and student support, general and management, and fundraising. Fluctuations in the balances each year depend on the type of expenditures and the revenue received through UNM.

**Net Position**

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

Included in the unrestricted net position are designated funds that are from three sources. (1) Funds are allocated by the Anderson Foundation Board through the budget process to the Anderson Dean. The Anderson Dean allocates funds to individual faculty, departments, students, and staff at the UNM Anderson School of Management; (2) Funds are generated by faculty consulting activities, special teaching programs, student competitions, or conferences and are noted in the footnotes. Funds in these accounts may be received in one fiscal year and spent in another year depending on the timing of conferences, equipment purchases, computer and software needs, or faculty sabbaticals. The balance increases or decreases are due to faculty, chair, and dean initiatives and activities; (3) Allocation of funds from the Anderson Foundation Board for specific projects or needs at the Anderson School. The Anderson Foundation allocated \$80,000 in 2018 and 2019 for the following: \$25,000 for the Entrepreneurship Challenge, \$50,000 for a paid intern to work in the Anderson development area, and \$5,000 for marketing and other expenses needed by the intern.

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

**The Robert O. Anderson Schools of Management Foundation**  
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**Management's Discussion and Analysis**  
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Condensed Summary of Revenues, Expenses, and Changes in Net Position			
	2019	2018	2017
Operating revenues:			
Executive and Professional Education Center (EPEC) operations:			
Revenues	\$ 2,763,109	\$ 3,008,584	\$ 3,086,126
Expenses	(2,004,262)	(1,996,054)	(2,130,271)
Net revenue from EPEC operations	758,847	1,012,530	955,855
Other revenues and support	371,522	433,959	529,432
Total operating revenues and other support	<u>1,130,369</u>	<u>1,446,489</u>	<u>1,485,287</u>
Operating expenses:			
Program services - faculty support	505,136	419,673	441,333
Program services -business plan competition	-	25,000	-
Program services - student support	91,173	166,657	163,122
Fundraising activities	145,439	148,074	121,131
Management and general	245,425	204,892	172,142
Total operating expenses	<u>987,173</u>	<u>964,296</u>	<u>897,728</u>
Operating income	<u>143,196</u>	<u>482,193</u>	<u>587,559</u>
Nonoperating revenues (expenses):			
Investment activities	139,355	136,770	213,563
Transfer to UNM Foundation	(210,469)	(261,082)	(105,967)
Nonoperating revenues (expenses), net	<u>(71,114)</u>	<u>(124,312)</u>	<u>107,596</u>
Increase in net position	72,082	357,881	695,155
Net position, beginning of year	<u>3,576,492</u>	<u>3,218,611</u>	<u>2,523,456</u>
Net position, end of year	<u>\$ 3,648,574</u>	<u>\$ 3,576,492</u>	<u>\$ 3,218,611</u>

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

Decrease in the revenue from the two degreed programs in EPEC are attributed to several changes during the last few years. One significant change for both programs in summer tuition division between the two fiscal years and how it is effected by when students are registered for classes. Dividing the tuition between the fiscal years is a practice of UNM. UNM transfers 50% of the summer tuition to Anderson for students registered by June 30. The number of students in the MBA-ED has decreased, but not has much as anticipated. In June 2015, 2016 and 2017, the Woodrow Wilson Foundation (WWF) paid full tuition of \$32,000 for the students in the program. Starting in 2017-2018, the WWF changed the amount allocated to the MBA-ED students. They paid \$27,000 and the students paid \$5,000. As a result, the cohort has 18 students. The two previous cohorts had 24 students. In 2018-2019, WWF did not pay any tuition for students, so they were responsible for the entire \$32,000 and the cohort has 16 students. WWF also reduced the amount of administrative costs they paid. In the past they reimbursed EPEC for the salaries and benefits for the two full-time staff members to manage the program and a faculty member to oversee curriculum. They did not pay any administrative costs for 2018 and 2019.

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Other educational products offered by EPEC include a number of Career and Professional Development (CPD) standard and customized programs and GRE/GMAT preparatory classes. CPD revenue increased by \$58,934 from 2018 to 2019. GRE/GMAT revenue decreased from \$55,740 to \$19,475 in 2018 to 2019, respectively.

Other operating revenues at the Anderson Foundation include restricted and unrestricted donations, the Entrepreneurship Challenge donations, faculty consulting projects, conferences, and fundraising events, such as the annual Hall of Fame. The Hall of Fame table sales and contributions for the endowed scholarship made directly to the Anderson Foundation are recorded in Anderson Foundation 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 2019 donations and table sales for Hall of Fame were down from the previous year. The Hall of Fame net amount after expenses were approximately \$73,000 in 2019 and \$123,000 in 2018. Approximately, \$23,000 and \$50,000 in 2019 and 2018, respectfully were sent to the UNM Foundation for current scholarships. The remaining balances were deposited in the Hall of Fame Endowed Scholarship. The changes from year to year in the other operating revenues depend on a number of factors, including the timing of the contributions and consulting payments, the economy, marketing of the events, or other factors.

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. 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, and conferences. Faculty allocations are used to attend 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 Merrill Lynch as of August 2017. The Anderson Foundation Finance Committee, along with Merrill Lynch financial advisors reviewed and revised the Investment Policy Statement (IPS). The Anderson Foundation Board approved the new IPS in January 2019. In 2018, the Anderson Foundation Board allocated \$500,000 to be deposited into the investment account and designated \$80,000 in both 2018 and 2019 for the Anderson School of Management to spend on specific purposes. The spending funds are for the Entrepreneurial Challenge \$25,000, \$50,000 to hire an intern for the development area, and \$5,000 for marketing and other expenses. Changes in the investments are a result of the performance of the investment portfolio.

Two transfers from the Anderson Foundation were made to UNM endowed accounts in 2018-2019. (1) approximately \$73,000 was transferred to the Hall of Fame scholarship endowment. Of that amount, approximately \$23,000 was allocated to current scholarships for students entering the Anderson masters programs. The \$73,000 was the net proceeds from Hall of Fame table sales, ticket sales, and additional contributions. (2) \$137,500 was allocated by the Anderson Foundation Board to support the new McKinnon Center for Management by naming a room in the building. The \$550,000 pledged was divided into four annual payments of \$137,500 per year starting in 2018.

**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  
1922 Las Lomas NE  
Albuquerque, NM 87131  
505-277-4234

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

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**ASSETS**

	June 30,	
	2019	2018
Current assets:		
Cash and cash equivalents	\$ 1,831,606	\$ 1,887,140
Investments	2,733,554	2,289,440
Accounts receivable, less allowance for doubtful receivables of \$18,875 in 2019 and 2018	655,187	772,562
Due from The University of New Mexico	53,356	82,514
Inventory – EPEC textbooks/brochures	38,434	56,927
Prepaid expenses – EPEC	14,452	44,881
Promotion items on hand	1,167	1,607
Total current assets	\$ 5,327,756	\$ 5,135,071

**LIABILITIES AND NET POSITION**

Current liabilities:		
Accounts payable	\$ 11,522	\$ 76,325
Due to The University of New Mexico	974,457	815,494
Unearned revenue	693,203	666,760
Total current liabilities	1,679,182	1,558,579
Net position:		
Unrestricted	3,184,092	3,086,009
Restricted	464,482	490,483
Total net position	3,648,574	3,576,492
Total liabilities and net position	\$ 5,327,756	\$ 5,135,071

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

	Years Ended June 30,	
	2019	2018
Operating revenues and other support:		
Executive and Professional Education Center revenues	\$ 2,763,109	\$ 3,008,584
Executive and Professional Education Center direct and allocated costs	<u>(2,004,262)</u>	<u>(1,996,054)</u>
Net revenue from Executive and Professional Education Center operations	758,847	1,012,530
Contributions	110,097	141,363
Consulting and conference revenue	94,375	67,086
Fundraising events	153,878	195,610
Other income	<u>13,172</u>	<u>29,900</u>
Total operating revenues and other support	<u>1,130,369</u>	<u>1,446,489</u>
Operating expenses:		
Program services - faculty support	505,136	419,673
Program services - business plan competition	-	25,000
Program services - student support	91,173	166,657
Fundraising activities	145,439	148,074
Management and general	<u>245,425</u>	<u>204,892</u>
Total operating expenses	<u>987,173</u>	<u>964,296</u>
Operating income	<u>143,196</u>	<u>482,193</u>
Nonoperating revenues and expenses:		
Interest/dividend income	58,061	34,758
Net unrealized and realized losses on investments	81,294	102,012
Transfer to UNM Foundation	<u>(210,469)</u>	<u>(261,082)</u>
Nonoperating revenues and expenses, net	<u>(71,114)</u>	<u>(124,312)</u>
Increase in net position	72,082	357,881
Net position, beginning of year	<u>3,576,492</u>	<u>3,218,611</u>
Net position, end of year	<u><u>\$ 3,648,574</u></u>	<u><u>\$ 3,576,492</u></u>

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

	Years Ended June 30,	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Executive and Professional Development Center	\$ 2,906,927	\$ 2,800,857
Receipts from other revenues and support	400,680	429,929
Payments to The University of New Mexico	(815,494)	(1,093,498)
Payments to outside vendors	(2,032,419)	(2,079,358)
	<u>459,694</u>	<u>57,930</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITY – transfers to UNM Foundation</b>	<u>(210,469)</u>	<u>(261,082)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments purchased	(1,459,381)	(3,163,028)
Investments proceeds	1,096,561	3,102,378
Investment income	58,061	34,758
	<u>(304,759)</u>	<u>(25,892)</u>
Net decrease in cash and cash equivalents	(55,534)	(229,044)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>1,887,140</u>	<u>2,116,184</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 1,831,606</u>	<u>\$ 1,887,140</u>
<b>Reconciliation of changes in net position to net cash from operating activities:</b>		
Operating income	\$ 143,196	\$ 482,193
Adjustments to reconcile changes in net position to net cash		
Changes in assets and liabilities:		
Accounts receivable - net of allowance	117,375	(218,317)
Due from The University of New Mexico	29,158	20,972
Inventory – EPEC textbooks/brochures	18,493	(56,927)
Prepaid expenses - EPEC	30,429	20,895
Promotional items on hand	440	1,202
Accounts payable	(64,803)	75,326
Due to The University of New Mexico	158,963	(278,004)
Unearned revenues	26,443	10,590
Net cash flows provided by operating activities	<u>\$ 459,694</u>	<u>\$ 57,930</u>



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

## **Notes to Financial Statements**

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### **Note 1 – Organization**

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

### **Note 2 – Summary of Significant Accounting Policies and Practices**

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

#### **Basis of Accounting and Presentation**

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

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

#### **Net Position**

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

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

#### **Cash and Cash Equivalents**

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

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

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

**Concentrations of Credit Risk**

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

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

**Inventories**

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

**Equipment and Depreciation**

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

**Investments**

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

**Income Taxes**

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

**Revenue Recognition**

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

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

## **Notes to Financial Statements**

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

The EMBA and the MBA-ED are two-year (seven semester) academic programs with participants earning a Master's of Business Administration (MBA) degree from the University of New Mexico (UNM). Tuition revenue for the programs is recognized as credit hours are taken by program participants, in accordance with UNM registration and withdrawal policies. At the beginning of each cycle, all tuition and fees for the entire academic year are recorded as receivable and unearned revenue from the individual student. Revenue is recognized monthly as the students register for the credit hours taken during the fiscal year. As revenue is recognized, unearned revenue is reduced. Summer 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.

#### **Operating Expenses**

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

#### **Use of Estimates**

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

#### **Advertising Costs**

The Anderson Foundation expenses advertising costs as incurred.

### **Note 3 – Related-Party Transactions**

As of June 30, 2019 and 2018, the Anderson Foundation has net accounts payable of \$974,457 and \$815,494, 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.

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

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**Note 4 – Cash and Cash Equivalents**

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

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

A detail of the cash accounts at June 30, 2018 is included below:

Name of Depository	Account Name	Account Type	Bank Balance	Reconciling Items	Reconciled Balance
Wells Fargo	Operating	Cash	\$ 250,000	\$ (18,033)	\$ 231,967
Wells Fargo	Sweep	Cash	1,190,444	-	1,190,444
Merrill Lynch/Bank of America	Investment	Money market	464,729	-	464,729
			<u>\$ 1,905,173</u>	<u>\$ (18,033)</u>	<u>\$ 1,887,140</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 \$1,977,066 and \$1,905,173 on deposit with national financial institutions at June 30, 2019 and 2018, 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, 2019 and June 30, 2018 was insured up to the first \$250,000 by the Federal Deposit Insurance Corporation (FDIC), and the balance in the sweep account that was uninsured of \$1,649,537 and \$1,190,444 for 2019 and 2018, respectively, was collateralized through the sweep account which purchases U.S. Treasuries and Agencies. The money market mutual funds held by the Anderson Foundation are not subject to custodial credit risk.

**Note 5 – Investments**

The Anderson Foundation has an investment account with Merrill Lynch (Bank of America) with a year-end balance of \$2,733,454 and \$2,289,440 for 2019 and 2018, respectively. The Merrill Lynch financial advisors and the Anderson Foundation finance committee reviewed and revised the investment policy statement on January 30, 2019.

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

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

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**Note 5 – Investments (continued)**

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

All individual fixed-income securities are limited to no less than “BBB” quality as established by a recognized rating service and further reinforced by independent in-house analyses. U.S. Treasury and U.S. government agencies are qualified for inclusion in the portfolio. No more than 10% of the market value of investment portfolio shall be less than single “BBB” quality.

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

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

A summary of the investments held by the Anderson Foundation at June 30, 2019 and 2018 and the Anderson Foundation’s exposure to custodial credit risk is as follows:

	Fair Value Amounts at June 30,	
	2019	2018
Custodial credit risk		
Government bonds	\$ 181,670	\$ 165,757
Corporate bonds	173,974	123,283
Stocks and related	1,757,747	1,478,607
Mortgage/asset backed securities	199,144	169,469
	<u>2,312,535</u>	<u>1,937,116</u>
Investments not subject to custodial credit risk		
Mutual funds, fixed	421,019	345,314
Other	-	7,010
	<u>\$ 2,733,554</u>	<u>\$ 2,289,440</u>

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

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

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**Note 5 – Investments (continued)**

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

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

The Anderson Foundation’s investments were within the minimum and maximum ranges indicated above at June 30, 2019. Investments at June 30, 2018 were within the minimum and maximum ranges set forth by the IPS in existence as of that date.

As of June 30, 2019 and 2018, the Anderson Foundation has investments in the following investments that represent greater than 5% of the total investments:

	2019	2018
Western Asset Smash Series EC Fund	\$ 166,234	\$ 136,373
Western Asset Smash Series M Fund	185,144	156,908

*Foreign Currency Risk:* The Anderson Foundation did not hold any investments that were subject to foreign currency risk at June 30, 2019 and 2018.

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

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

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**Note 5 – Investments (continued)**

Fair value at June 30, 2019 and 2018 is summarized as follows:

	2019 Investment Maturities				
	Fair Value	Less than 1 year	1-5 years	5-10 years	More than 10 years
Exposed to interest rate risk:					
Corporate bonds	\$ 173,974	\$ 3,285	\$ 57,150	\$ 75,943	\$ 37,596
Government bonds	181,670	25,061	50,664	21,490	84,455
Mortgage/asset backed	199,144	-	-	-	199,144
	<u>554,788</u>	<u>28,346</u>	<u>107,814</u>	<u>97,433</u>	<u>321,195</u>
Not exposed to interest rate risk:					
Mutual funds	421,019				
Stocks and related	<u>1,757,747</u>				
Total investments	<u>\$ 2,733,554</u>				
	2018 Investment Maturities				
	Fair Value	Less than 1 year	1-5 years	5-10 years	More than 10 years
Exposed to interest rate risk:					
Corporate bonds	\$ 123,283	\$ 20,269	\$ 35,664	\$ 37,483	\$ 29,867
Government bonds	165,757	38,367	37,717	39,884	49,789
Other bonds	7,010	-	7,010	-	-
Mortgage/asset backed	169,469	-	8,905	23,080	137,484
	<u>465,519</u>	<u>58,636</u>	<u>89,296</u>	<u>100,447</u>	<u>217,140</u>
Not exposed to interest rate risk:					
Mutual funds	345,314				
Stocks and related	<u>1,478,607</u>				
Total investments	<u>\$ 2,289,440</u>				

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

**Note 5 – Investments (continued)**

A summary of the Anderson Foundation's investments at June 30, 2019 and 2018 that are subject to credit risk is as follows:

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

  

June 30, 2018						
Credit Rating	Corporate Bonds	Government Bonds	Other Bonds	Mortgage/ Asset Backed	Total	Percentage of Bond Portfolio
AAA	\$ 13,818	\$ -	\$ -	\$ 6,931	\$ 20,749	4%
AA+	-	35,729	-	-	35,729	8%
A+	10,272	-	-	-	10,272	2%
A	10,330	-	-	-	10,330	2%
A-	25,189	-	7,010	-	32,199	7%
BBB+	58,667	-	-	-	58,667	13%
BBB	5,007	-	-	-	5,007	1%
Not Rated	-	-	-	162,538	162,538	35%
U.S. Government Guaranteed	-	130,028	-	-	130,028	28%
Total	\$ 123,283	\$ 165,757	\$ 7,010	\$ 169,469	\$ 465,519	100%

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

	June 30, 2019		June 30, 2018	
	Unrestricted	Total	Unrestricted	Total
Interest/dividend income	\$ 58,061	\$ 58,061	\$ 34,758	\$ 34,758
Net unrealized and realized gains	81,294	81,294	102,012	102,012
Total investment income	\$ 139,355	\$ 139,355	\$ 136,770	\$ 136,770



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

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**Note 5 – Investments (continued)**

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

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

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

**Level 3** – inputs are unobservable inputs for an asset.

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

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

	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)
<b>2019</b>				
Investments held by the Anderson Foundation:				
Mutual funds	\$ 421,019	\$ 421,019	\$ -	\$ -
Corporate bonds	173,974	-	173,974	-
Government bonds	181,670	-	181,670	-
Stocks & related	1,757,747	1,757,747	-	-
Mortgage/asset backed	199,144	-	199,144	-
	<u>\$ 2,733,554</u>	<u>\$ 2,178,766</u>	<u>\$ 554,788</u>	<u>\$ -</u>

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

**Note 5 – Investments (continued)**

	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)
<b>2018</b>				
Investments held by the Anderson Foundation:				
Mutual funds	\$ 345,314	\$ 345,314	\$ -	\$ -
Corporate bonds	123,283	-	123,283	-
Government bonds	165,757	130,028	35,729	-
Other bonds	7,010	-	7,010	-
Stocks & related	1,478,607	1,478,607	-	-
Mortgage/asset backed	169,469	-	169,469	-
	<u>\$ 2,289,440</u>	<u>\$ 1,953,949</u>	<u>\$ 335,491</u>	<u>\$ -</u>

**Note 6 – Endowments Held by UNM/UNM Foundation**

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

The principal balance amounted to \$19,141,399 and \$18,891,059 as of June 30, 2019 and 2018, respectively. A portion of the earnings from the endowed funds, in the amount of \$542,472 and \$680,771, respectively, were allocated by UNM Foundation (UNMF) to the expendable income accounts for sponsored faculty research awards, programs, and student scholarships at the Anderson School, as well as for the McKinnon Center for Management (MCM) building, as stipulated by the donors. The Anderson School of Management awarded \$271,650 in student scholarships in 2019.

The quasi-endowment account was established for the Anderson School of Management Building Fund with a \$5,000,000 contribution. Quarterly earnings distributions were made to the expendable income account and additional donations were received. The principal balance amounted to \$686,723 and \$528,191 as of June 30, 2019 and 2018, respectively. The June 30, 2019 balance in the quasi-endowment expendable account is \$110,948. The majority of the principal and spending account balances were transferred during 2016 and 2017 to the UNM plan/design account. Construction on the McKinnon Center for Management began in January 2017 and was opened July 2018.

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

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

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**Note 7 – Nonendowed Funds Held by UNM**

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

A detail of nonendowed funds held by UNM (due to the Anderson Foundation or available to the Anderson School) as of June 30, 2019 and 2018 is included below:

	<u>2019</u>	<u>2018</u>
Unrestricted contributions due to the Anderson Foundation	\$ 40,768	\$ 74,529
Restricted expendable funds due to the Anderson Foundation - Business Plan Competition account	<u>12,588</u>	<u>7,985</u>
Total due to the Anderson Foundation	53,356	82,514
Other restricted expendable funds available to the Anderson School	<u>591,427</u>	<u>525,828</u>
Total nonendowed funds held by UNM	<u><u>\$ 644,783</u></u>	<u><u>\$ 608,342</u></u>

**Note 8 – Net Position**

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

	<u>2019</u>	<u>2018</u>
Programs	\$ 283,163	\$ 307,225
Scholarships	<u>181,319</u>	<u>183,258</u>
Restricted net position	<u><u>\$ 464,482</u></u>	<u><u>\$ 490,483</u></u>

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

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**Note 8 – Net Position (continued)**

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

	2019	2018
Undesignated	\$ 2,562,296	\$ 2,519,201
Designated - board spending	63,166	41,236
Designated - faculty	558,630	525,572
Unrestricted net position	\$ 3,184,092	\$ 3,086,009

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.

In addition, starting in fiscal year 2019, the Anderson Foundation approved an Anderson School Spending Policy. The purpose of the Spending Policy is to establish a consistent plan to enable the Board to approve and disburse funds to support the foundation’s mission and to preserve a purchasing power of the Foundation’s assets. The Spending amount is minimum of 3% and a maximum of 5% of the average total market value of the Foundation’s investment account for the trailing three fiscal years. \$80,000 was approved for both 2018 and 2019. In both years, \$50,000 was approved to hire an intern for fundraising, \$25,000 for the Entrepreneurial Challenge and \$5,000 for marketing/recruiting.

**Note 9 – Risk Management**

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

**Note 10 – Subsequent Events**

Subsequent events are evaluated by management through the date of the accompanying financial statements are available to be issued, which is September 24, 2019.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Robert O. Anderson Schools of Management Foundation (the Anderson Foundation), which comprise the Statement of net position as of June 30, 2019, 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 September 24, 2019.

### **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*.

### ***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  
September 24, 2019

**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, 2019**

	EMBA Program	MBA-ED Program	Career and Professional Development Programs	GMAT Prep Course	Total
<b>Revenues:</b>					
Student fees	\$ 1,705,666	\$ 628,225	\$ -	\$ -	\$ 2,333,891
Registration fees	-	-	391,018	38,200	429,218
Total revenues	<u>1,705,666</u>	<u>628,225</u>	<u>391,018</u>	<u>38,200</u>	<u>2,763,109</u>
<b>Direct costs:</b>					
Compensation	204,113	153,849	101,174	18,437	477,573
Books/course materials	105,964	64,879	44,625	1,551	217,019
Consultants	-	-	11,589	450	12,039
Computer/office supplies	747	1,848	2,372	-	4,967
Dues and memberships	2,558	-	-	-	2,558
Marketing and advertising	34,044	4,881	4,489	90	43,504
Materials and services	5,726	453	924	-	7,103
Meals and facilities	92,911	2,909	2,449	-	98,269
Parking	16,489	670	9,456	-	26,615
Postage and printing	813	197	3,161	474	4,645
Service agreement	21,786	7,263	4,875	1,351	35,275
Student fees	152,220	65,918	-	-	218,138
Training and development	1,184	-	99	-	1,283
Travel and recruiting	36,995	575	3,218	-	40,788
UNM and UNMF Surcharges	3,500	1,989	10,284	1,529	17,302
Total direct costs	<u>679,050</u>	<u>305,431</u>	<u>198,715</u>	<u>23,882</u>	<u>1,207,078</u>
Segment contribution	<u>1,026,616</u>	<u>322,794</u>	<u>192,303</u>	<u>14,318</u>	<u>1,556,031</u>
<b>Allocated fixed costs:</b>					
Staff compensation	452,609	166,703	103,759	10,137	733,208
Bank Charges/Credit Card/Fees	7,225	2,661	1,656	162	11,704
Copier/office supplies	17,065	6,285	3,912	382	27,644
Equipment	5,221	1,923	1,197	117	8,458
Materials and services	3,117	1,148	715	70	5,050
Telephone	4,352	1,603	998	97	7,050
UNM and UNMF Surcharges	2,514	926	575	55	4,070
Total allocated costs	<u>492,103</u>	<u>181,249</u>	<u>112,812</u>	<u>11,020</u>	<u>797,184</u>
Net revenue from Executive and Professional Education Center	<u>\$ 534,513</u>	<u>\$ 141,545</u>	<u>\$ 79,491</u>	<u>\$ 3,298</u>	<u>\$ 758,847</u>

**The Robert O. Anderson Schools of Management Foundation**  
**(A Component Unit of the University of New Mexico)**  
**Schedule of Revenues and Expenses –**  
**Executive and Professional Education Center**  
**June 30, 2018**

	EMBA Program	MBA-ED Program	Career and Professional Development Programs	GMAT Prep Course	Total
<b>Revenues:</b>					
Student fees	\$ 1,751,238	\$ 850,797	\$ -	\$ -	\$ 2,602,035
Registration fees	-	-	350,809	55,740	406,549
Total revenues	<u>1,751,238</u>	<u>850,797</u>	<u>350,809</u>	<u>55,740</u>	<u>3,008,584</u>
<b>Direct costs:</b>					
Compensation	231,742	255,481	105,567	19,094	611,884
Books/course materials	94,098	50,981	45,517	1,262	191,858
Consultants	-	-	6,366	-	6,366
Computer/office supplies	216	2,757	2,619	-	5,592
Dues and memberships	4,273	-	1,250	-	5,523
Marketing and advertising	32,194	2,614	10,091	-	44,899
Materials and services	11,013	3,763	22,774	2,243	39,793
Meals and facilities	92,947	3,645	2,663	14	99,269
Parking	17,272	543	6,187	-	24,002
Postage and printing	1,849	1,961	3,118	441	7,369
Service agreement	20,998	7,000	4,698	1,302	33,998
Student fees	132,416	76,966	-	-	209,382
Training and development	374	280	-	-	654
Travel and recruiting	52,976	761	2,093	-	55,830
Total direct costs	<u>692,368</u>	<u>406,752</u>	<u>212,943</u>	<u>24,356</u>	<u>1,336,419</u>
Segment contribution	<u>1,058,870</u>	<u>444,045</u>	<u>137,866</u>	<u>31,384</u>	<u>1,672,165</u>
<b>Allocated fixed costs:</b>					
Staff compensation	358,542	174,189	71,823	11,412	615,966
Copier/office supplies	9,914	4,816	1,986	316	17,032
Equipment	3,410	1,657	683	108	5,858
Materials and services	5,680	2,760	1,138	181	9,759
Telephone	6,415	3,116	1,285	204	11,020
Total allocated costs	<u>383,961</u>	<u>186,538</u>	<u>76,915</u>	<u>12,221</u>	<u>659,635</u>
Net revenue from Executive and Professional Education Center	<u>\$ 674,909</u>	<u>\$ 257,507</u>	<u>\$ 60,951</u>	<u>\$ 19,163</u>	<u>\$ 1,012,530</u>



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

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

**The Robert O. Anderson Schools of Management Foundation**  
**(A Component Unit of the University of New Mexico)**  
**Statement of Functional Expenses**  
**June 30, 2018**

	Program Services			Total Program Services	Support Services		Total
	Faculty Support	Business Plan Competition	Student Support		Fundraising Activities	Management and General	
Compensation	\$ 74,170	\$ -	\$ 2,012	\$ 76,182	\$ -	\$ 28,286	\$ 104,468
Advertising and promotion	8,100	-	1,972	10,072	-	8,767	18,839
Audit and accounting	-	-	-	-	-	25,205	25,205
Bank charges	-	-	-	-	-	40,099	40,099
Business plan award	-	25,000	97,500	122,500	-	-	122,500
Commencement	-	-	-	-	-	4,583	4,583
Computer supplies	26,094	-	3,187	29,281	452	2,367	32,100
Conference expenses	-	-	-	-	-	-	-
Dues and memberships	19,099	-	2,823	21,922	-	3,494	25,416
Equipment	37,842	-	2,815	40,657	3,208	3,251	47,116
Honoraria	5,736	-	-	5,736	-	6,800	12,536
Insurance	-	-	-	-	-	-	-
Materials and services	8,471	-	8,692	17,163	941	33,717	51,821
Meals and facilities	28,658	-	25,920	54,578	119,818	12,794	187,190
Parking	714	-	2,399	3,113	-	15,668	18,781
Printing and postage	3,159	-	-	3,159	-	11,651	14,810
Publications	-	-	-	-	16,334	-	16,334
Student and faculty awards	-	-	7,520	7,520	-	-	7,520
Subscription and books	5,039	-	-	5,039	-	307	5,346
Telephone	755	-	-	755	1,451	-	2,206
Training and development	4,018	-	-	4,018	5,870	266	10,154
Travel	197,818	-	11,817	209,635	-	7,637	217,272
<b>Total expenses</b>	<b>\$ 419,673</b>	<b>\$ 25,000</b>	<b>\$ 166,657</b>	<b>\$ 611,330</b>	<b>\$ 148,074</b>	<b>\$ 204,892</b>	<b>\$ 964,296</b>

**The Robert O. Anderson Schools of Management Foundation**  
**(A Component Unit of the University of New Mexico)**  
**Summary of Auditor's Results (As Required by 2.2.2.10 NMAC L91)f)**  
**June 30, 2019**

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***Financial Statements***

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

Unmodified

Internal control over financial reporting:

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

Yes

No

Yes

None reported

Compliance and other matters noted?

Yes

No

**The Robert O. Anderson Schools of Management Foundation**  
**(A Component Unit of the University of New Mexico)**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2019**

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No matters were reported.

**The Robert O. Anderson Schools of Management Foundation**  
**(A Component Unit of the University of New Mexico)**  
**Summary Schedule of Prior Audit Findings**  
**June 30, 2018**

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No matters were reported

**The Robert O. Anderson Schools of Management Foundation**  
**(A Component Unit of the University of New Mexico)**  
**Exit Conference**  
**Year Ended June 30, 2019**

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An exit conference was held on September 24, 2019. During this meeting, the contents of this report were discussed with the following individuals:

**The Robert O. Anderson Schools of Management Foundation**

Paul Madrid, Board Chair and Treasurer  
Clovis Martin, Board Secretary and Chair, Finance Committee  
Beverly Bendicksen, Finance Committee Member  
Shawn Berman, Interim Dean  
Kathryn Jacobson, Associate Dean  
Deborah Bower, Fiscal Officer

**Moss Adams LLP**

Lisa Todd, Partner  
Corrine Zajac-Clarkson, Senior Manager