



REPORT OF INDEPENDENT AUDITORS AND
FINANCIAL STATEMENTS

THE UNIVERSITY OF NEW MEXICO ALUMNI ASSOCIATION
(A Component Unit of the University of New Mexico)

June 30, 2020 and 2019



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**The University of New Mexico Alumni Association
(A Component Unit of the University of New Mexico)
Official Roster (Unaudited)**

OFFICERS

Alexis Tappan – President of the Board
Chad Cooper – President Elect of the Board
Daniel Trujillo – Treasurer of the Board
John Brown – Past President of the Board

COMMITTEE CHAIRS

Alexis Tappan – Chair, Executive Committee
Chad Cooper – Chair, Finance Committee

EX-OFFICIO MEMBERS

Connie Beimer – Executive Director, Alumni Association
Jeff Todd – President, University of New Mexico Foundation
Erica Krause Munoz – President, Young Alumni Chapter
Adam Biederwolf – President, Association Students of the University of New Mexico
Muhammad Afzaal Hussain – President, University of New Mexico Graduate and Profession
Student Association

DISTINGUISHED LIFETIME MEMBER ---- Marion Fleck

BOARD MEMBERS

Yasine Armstrong	Holley Mariani
Xochitl Biggs	Dolores Martinez
Breda Bova	Rene Matison
John Brown	Kendra Merritt Doyel
Robert Calvani	Amy Miller
Sophia Collaros	Fred Mondragon
Chad Cooper	Debbie Morris
Joe Dworak	Judith Nakamura
Darrell Garcia	Rosalyn Nguyn
Julia Gilroy	Tim Nisly
Sydney Gunthorpe	Jim Novak
Shammara Henderson	P. Michael Padilla
Mark Herman	Gus Pedrotty
Leslie Hoffman	Roberta Ricci
James King	Jaymie Roybal
Dick Knipfing	Terri Salazar
Harold Lavender	Michael Silva
James Lewis	Alexis Tappan
Ryan Lindquist	Daniel Trujillo
Chris Lujan	Apollonia Trujillo Gallegos

Report of Independent Auditors

The Board of Directors
University of New Mexico Alumni Association
and Mr. Brian S. Colón, Esq. New Mexico State Auditor:

Report on the Financial Statements

We have audited the accompanying financial statements of University of New Mexico Alumni Association (the Association), a component unit of the University of New Mexico, which comprise the statements of net position as of June 30, 2020 and 2019, 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 the Association's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 auditor's 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 the University of New Mexico Alumni Association as of June 30, 2020 and 2019, and 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2020 on our consideration of the Association'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 the Association's internal control over financial reporting and compliance.

Mess Adams LLP

Albuquerque, New Mexico
September 23, 2020

**The University of New Mexico Alumni Association
(A Component Unit of the University of New Mexico)
Management’s Discussion and Analysis (Unaudited)
June 30, 2020 and 2019**

Overview of the Financial Statements

The University of New Mexico Alumni Association’s (the Association) annual report consists of the Management’s Discussion and Analysis (MD&A), which provides a broad narrative overview of its financial activities for the fiscal years ended June 30, 2020, 2019, and 2018, and the following, which comprise the basic financial statements as listed in the table of contents:

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 financial statements give an overall picture of the Association’s financial situation and should be read in conjunction with the MD&A.

The statements of net position of the Association provide both long-term and short-term information about the Association’s overall financial position. The statement of revenues, expenses, and changes in net position provides information about the operating revenues and expenses and the non-operating revenues of the Association. The statement of cash flows provides information about the sources and uses of cash by the Association. The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Condensed Financial Information

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current assets	\$ 9,739,104	\$ 9,498,133	\$ 8,916,945
Current liabilities	\$ 35,293	\$ 38,066	\$ 63,273
Net position:			
Unrestricted	9,703,811	9,460,067	8,853,672
Total liabilities and net position	<u>\$ 9,739,104</u>	<u>\$ 9,498,133</u>	<u>\$ 8,916,945</u>

**The University of New Mexico Alumni Association
(A Component Unit of the University of New Mexico)
Management's Discussion and Analysis (Unaudited)
June 30, 2020 and 2019**

Condensed Financial Information			
	2020	2019	2018
Operating revenues:			
Royalties	\$ 663,701	\$ 495,893	\$ 513,470
Alumni programs	59,142	60,944	60,204
Merchandise sales	3,465	3,855	5,710
Total operating revenues	<u>726,308</u>	<u>560,692</u>	<u>579,384</u>
Operating expenses:			
Alumni programs	391,759	431,276	480,573
Management and general	297,135	207,560	237,485
Total operating expenses	<u>688,894</u>	<u>638,836</u>	<u>718,058</u>
Operating gain (loss)	<u>37,414</u>	<u>(78,144)</u>	<u>(138,674)</u>
Nonoperating revenues (expenses), net:			
Contributions	6,139	6,354	60,167
Investment income, and net increase in fair value of investments	275,191	733,185	385,875
Transfer out-University of New Mexico support	(75,000)	(55,000)	(350,000)
Total nonoperating revenue, net	<u>206,330</u>	<u>684,539</u>	<u>96,042</u>
Increase (decrease) in net position	243,744	606,395	(42,632)
Net position, beginning of year	<u>9,460,067</u>	<u>8,853,672</u>	<u>8,896,304</u>
Net position, end of year	<u>\$ 9,703,811</u>	<u>\$ 9,460,067</u>	<u>\$ 8,853,672</u>

Financial Analysis

The Association's total assets at June 30, 2020 of \$9,739,104 exceeded total liabilities of \$35,293 yielding total net position of \$9,703,811. The total net position showed an increase of 2.6% for the 2020 fiscal year. The primary factors contributing to the increase in total net position in fiscal year 2020 was the increase in revenues of \$165,617 driven primarily by the insurance royalty payment. The Association's total assets at June 30, 2019 of \$9,498,133 exceeded total liabilities of \$38,066 yielding total net position of \$9,460,067. The change in net position from 2019 to 2020 increased by \$243,744. The Association does not have capital assets as the University of New Mexico (UNM) holds title to all capital assets.

The majority of the Association's assets are investments totaling 87% of total assets. The net decrease in fair value of the Association's investments for fiscal year 2020 amounted to \$21,507, which is due to fluctuations in performance of the Association's investments likely driven by the pandemic in the fourth quarter of the fiscal year. For fiscal 2019, the fair value of the portfolio reflected a net increase of \$488,071, due to the positive market performance of the Association's investments.

**The University of New Mexico Alumni Association
(A Component Unit of the University of New Mexico)
Management's Discussion and Analysis (Unaudited)
June 30, 2020 and 2019**

Total operating revenues were \$726,308, \$560,692, and \$579,384, and for the years ended June 30, 2020, 2019, and 2018, respectively. The increase in 2020 is largely due to new revenues generated by the insurance royalty program. Non-operating revenues were \$281,330, \$739,539, and \$446,042, for the years ended June 30, 2020, 2019, and 2018, respectively. The decrease in fiscal 2020, increase in fiscal 2019, and decrease in fiscal 2018, and are largely due to the fluctuations in performance of the investment portfolio in a market characterized by market conditions. During these three years, the Association's portfolio's performance has consistently paralleled our asset class-weighted benchmark. Total operating and non-operating expenses for fiscal year 2020 were \$763,894, which represented a 10.1% increase in spending from the prior year. This figure includes \$75,000 non-operating expenses for University support. All of the University support was provided to UNM to assist with the University budget shortfalls. The amount transferred to UNM in 2020 was a \$20,000 increase from the 2019 transfer amount of \$55,000. This change is the primary reason for the increase in total expenses year over year.

Factors Impacting Future Periods

The continued uncertainty of the economy and its effect on university-wide funding, contributions from donors, and the overall performance of the investment portfolio could have significant impact on the Association.

Contacting the Association's Financial Management

If you have any questions about this report or need additional information, contact The University of New Mexico Alumni Association at Hodgin Hall, Albuquerque, New Mexico 87131-0001.

**The University of New Mexico Alumni Association
(A Component Unit of the University of New Mexico)
Statements of Net Position**

ASSETS

	June 30,	
	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,231,309	\$ 970,707
Investments	8,478,298	8,480,248
Accounts receivable	1,727	24,748
Prepaid items	27,770	22,430
Total current assets	\$ 9,739,104	\$ 9,498,133

LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Accounts payable	\$ 35,293	\$ 38,066
NET POSITION		
Unrestricted	9,703,811	9,460,067
Total liabilities and net position	\$ 9,739,104	\$ 9,498,133

The University of New Mexico Alumni Association
(A Component Unit of the University of New Mexico)
Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended June 30,	
	2020	2019
OPERATING REVENUES		
Royalties	\$ 663,701	\$ 495,893
Alumni programs	59,142	60,944
Merchandise sales	3,465	3,855
Total operating revenues	<u>726,308</u>	<u>560,692</u>
OPERATING EXPENSES		
Alumni programs	391,759	431,276
Management and general	297,135	207,560
Total operating expenses	<u>688,894</u>	<u>638,836</u>
Operating income (loss)	<u>37,414</u>	<u>(78,144)</u>
NONOPERATING REVENUES		
Contributions	6,139	6,354
Investment income	296,698	245,114
Net (decrease) increase in fair value of investments	(21,507)	488,071
Total nonoperating revenues	<u>281,330</u>	<u>739,539</u>
NONOPERATING EXPENSES		
Transfer out-University of New Mexico Support	(75,000)	(55,000)
Total nonoperating expenses	<u>(75,000)</u>	<u>(55,000)</u>
CHANGE IN NET POSITION	243,744	606,395
NET POSITION, beginning of year	<u>9,460,067</u>	<u>8,853,672</u>
NET POSITION, end of year	<u>\$ 9,703,811</u>	<u>\$ 9,460,067</u>

The University of New Mexico Alumni Association
(A Component Unit of the University of New Mexico)
Statements of Cash Flows

	Years Ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from royalties	\$ 686,722	\$ 481,461
Cash receipts from alumni programs	59,142	60,944
Cash receipts from merchandise sales	3,465	3,855
Payments to suppliers	(697,007)	(663,252)
Net cash flows provided (used) by operating activities	52,322	(116,992)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITY		
Cash receipts from contributions	6,139	6,354
Distribution to UNM	(75,000)	(55,000)
Net cash flows used by non-capital financing activities	(68,861)	(48,646)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased	(3,421,836)	(2,260,555)
Investments proceeds	3,402,279	2,458,855
Investment income	296,698	245,114
Net cash flows provided by investing activities	277,141	443,414
NET INCREASE IN CASH AND CASH EQUIVALENTS	260,602	277,776
CASH AND CASH EQUIVALENTS, beginning of year	970,707	692,931
CASH AND CASH EQUIVALENTS, end of year	\$ 1,231,309	\$ 970,707
Reconciliation of operating income (loss) to net cash flows from operating activities:		
Operating income (loss)	\$ 37,414	\$ (78,144)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
Changes in assets and liabilities:		
Accounts receivable	23,021	(14,432)
Prepaid items	(5,340)	791
Accounts payable	(2,773)	(25,207)
Net cash flows provided (used) by operating activities	\$ 52,322	\$ (116,992)

The University of New Mexico Alumni Association (A Component Unit of the University of New Mexico)

Notes to Financial Statements

Note 1 – Organization

The University of New Mexico Alumni Association (the Association), a component unit of the University of New Mexico (UNM), is a not-for-profit organization incorporated August 29, 1962 to provide and coordinate events and activities for the purpose of maintaining a positive relationship between the University of New Mexico and its alumni. Although the Association is an independent organization, it operates in conjunction with the University of New Mexico Alumni Relations Office.

The Association has 16 chapters nationwide. The activities of these chapters are not included in the accompanying financial statements as management of the Association considers the activities immaterial to these financial statements.

Note 2 – Significant Accounting Policies and Practices

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

As a component unit of the UNM, the Association prepared its financial statements in accordance with the accounting disclosure and reporting requirements under Governmental Accounting Standards Board (GASB), pronouncements, as the Association meets the criteria of a governmental not-for-profit. The Association has no component units. The Association'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 that relate directly to events and activities required to maintain a positive relationship between UNM and its alumni. These activities constitute the Association's ongoing principal operations. All other revenues and expenses are considered non-operating.

Net Position

Unrestricted net position represents resources whose use is not limited or restricted by donors. The unrestricted net position has arisen from exchange transactions and receipt of unrestricted contributions.

Cash and Cash Equivalents

The Association considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Included in cash and cash equivalents are amounts on deposit with financial institutions, amounts held as cash within investment portfolios, and amounts on deposit with the UNM and the University of New Mexico Foundation (UNMF).

**The University of New Mexico Alumni Association
(A Component Unit of the University of New Mexico)
Notes to Financial Statements**

Note 2 – Significant Accounting Policies and Practices (continued)

Income Taxes

The Association is a not-for-profit organization as described in Internal Revenue Code (IRC) Section 501(c)(3) and as such is not subject to tax on income from activities related to its exempt purpose under IRC Section 501(a). Furthermore, the Association has been determined not to be a private foundation under IRC Section 509(a). The Association does conduct some activities that are unrelated to its exempt purpose and are subject to federal and state excise tax. Accordingly, a provision for income taxes has been included in the financial statements and is reported as an operating expense in the statement of revenues, expenses, and changes in net position.

Revenue Recognition

Revenue and support are recognized as the Association becomes entitled to the funds. A portion of the Association's revenues results from alumni activities sponsored by the Association whereby revenues are recorded when earned. In addition, the Association receives royalties from a several licensing agreements made with an unrelated party. The Association is paid a percentage royalty for use of its name and logo. Revenues are recognized when earned by the Association in accordance with these agreements.

Effective April 1, 2011, the Association entered into a credit card affinity agreement with FIA Card Services, N.A. The initial term of the agreement between the Association and FIA Card Services began on April 1, 2011 and ended on March 31, 2014. Beginning April 1, 2014, the agreement was automatically renewed for one-year periods until terminated in 2019.

Contributions

The Association recognizes revenue from contributions when all applicable eligibility requirements are met. If purpose-restricted contributions are received, they are reported as increases in restricted net position until the restriction is accomplished, at which time, the restricted position is reclassified to unrestricted net position. The Association did not receive purpose-restricted contributions for years associated with these financial statements. Promises to give (pledges) are recorded at net realizable value in other assets. There were no pledged receivables as of June 30, 2020 and 2019, respectively.

Accounts Receivable

Accounts receivable consist of amounts receivable for alumni activity revenues. The Association has not provided an allowance for their collectability as management considers them to be fully collectable.

Investments

Money market investments and certificates of deposit are carried at amortized cost, which approximates fair value. Investments are reported at fair value. 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. Where fair value is not readily determinable, the Alumni Association uses net asset value per share, units owned and other valuation factors to approximate fair value.

The University of New Mexico Alumni Association (A Component Unit of the University of New Mexico) Notes to Financial Statements

Note 2 – Significant Accounting Policies and Practices (continued)

The alternative investments are valued as reported by third-party fund managers. Management reviews and evaluates the valuation received from third parties and believes the carrying amount to be a reasonable estimate of fair value. As limited partnership investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed.

The change in fair value of investments is reported in the statements of revenues, expenses, and changes in net position.

Use of Estimates

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

Reclassification

Certain amounts from the prior year financial statements have been reclassified in order to conform to the current year presentation.

Note 3 – Cash and Cash Equivalents

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 Association maintains cash and cash equivalents in interest-bearing transaction accounts with financial institutions and as such, the accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Association limits the amount of credit exposure with any one financial institution and believes that no significant concentration of credit risk exists with respect to cash and cash equivalents. The Association does not require collateral on its cash deposits.

As of June 30, 2020, the Association's deposits were exposed to custodial credit risk as follows:

Insured	\$ 420,956
Reconciling items	<u>(2,336)</u>
Deposits recorded in the financial statements	418,620
Funds on deposit with UNM not subject to custodial credit risk	477,295
Money market funds not subject to custodial credit risk	<u>335,394</u>
Cash and cash equivalents per financial statements	<u><u>\$ 1,231,309</u></u>

**The University of New Mexico Alumni Association
(A Component Unit of the University of New Mexico)
Notes to Financial Statements**

Note 3 – Cash and Cash Equivalents (continued)

As of June 30, 2019, the Association's deposits were exposed to custodial credit risk as follows:

Insured	\$	325,277
Reconciling items		<u>(2,482)</u>
Deposits recorded in the financial statements		322,795
Funds on deposit with UNM not subject to custodial credit risk		422,540
Money market funds not subject to custodial credit risk		225,282
Petty cash		<u>90</u>
Cash and cash equivalents per financial statements	\$	<u><u>970,707</u></u>

A detail of the cash accounts at June 30, 2020 is included below:

Name Depository	Account Name	Account Type	Bank Balances	Reconciling Items	Reconciled Balance
Bank of America	Checking Account	Cash	\$ 414,588	\$ (2,336)	\$ 412,252
University of New Mexico	FRS Expenditures	Cash	27,784	-	27,784
University of New Mexico	Alumni Public Agency Business investment	Cash	449,511	-	449,511
Bank of America	Savings	Cash	6,368	-	6,368
Merrill Lynch	Additional funds	Money Market	335,394	-	335,394
			<u>\$ 1,233,645</u>	<u>\$ (2,336)</u>	<u>\$ 1,231,309</u>

**The University of New Mexico Alumni Association
(A Component Unit of the University of New Mexico)
Notes to Financial Statements**

Note 3 – Cash and Cash Equivalents (continued)

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

<u>Name Depository</u>	<u>Account Name</u>	<u>Account Type</u>	<u>Bank Balances</u>	<u>Reconciling Items</u>	<u>Reconciled Balance</u>
Bank of America	Checking Account	Cash	\$ 318,912	\$ (2,482)	\$ 316,430
University of New Mexico	FRS Expenditures	Cash	22,520	-	22,520
University of New Mexico	Alumni Public Agency Business investment	Cash	400,020	-	400,020
Bank of America	Savings	Cash	6,365	-	6,365
Merrill Lynch	Additional funds	Money Market	225,282	-	225,282
			<u>\$ 973,099</u>	<u>\$ (2,482)</u>	<u>970,617</u>
Petty cash					<u>90</u>
					<u>\$ 970,707</u>

Note 4 – Investments

The Association has an Investment Management Policy (IMP), which includes investment objectives to preserve principal, achieve moderate growth, and meet limited income needs of the Association. Financial instruments that potentially subject the Association to concentrations of risk consist primarily of investments in government securities. The Association's investments are high-quality securities placed with financial institutions. Management attempts to reduce risk through diversification of the investment portfolio among instruments and issuers. The Association is not subject to any statutory or policy restrictions on cash deposits or investments.

A detail of the investment accounts at June 30, 2020 is included below:

<u>Name of Depository</u>	<u>Account Name</u>	<u>Account Type</u>	<u>Account Balance</u>
Merrill Lynch	Alternatives	Alternative Investments	\$ 448,451
Merrill Lynch	UNM Alumni CMS	Equities/Fixed Income	<u>8,029,847</u>
			<u>\$ 8,478,298</u>

**The University of New Mexico Alumni Association
(A Component Unit of the University of New Mexico)
Notes to Financial Statements**

Note 4 – Investments (continued)

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

<u>Name of Depository</u>	<u>Account Name</u>	<u>Account Type</u>	<u>Account Balance</u>
Merrill Lynch	Alternatives	Alternative Investments	\$ 476,891
Merrill Lynch	UNM Alumni CMS	Equities/Fixed Income	8,003,357
			<u>\$ 8,480,248</u>

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Association 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.

A summary of the investments held by the Association at June 30, 2020, and the Association's exposure to custodial credit risk is as follows:

Custodial credit risk:		
Corporate stock		\$ 4,780,493
Government securities		765,342
Mortgage/asset backed securities		502,655
Corporate bonds		557,012
Alternative investments		448,451
Total investments held by custodians		<u>7,053,953</u>
Investments not subject to custodial credit risk:		
Mutual funds		1,424,345
		<u>\$ 8,478,298</u>

The University of New Mexico Alumni Association
(A Component Unit of the University of New Mexico)
Notes to Financial Statements

Note 4 – Investments (continued)

A summary of the investments held by the Association at June 30, 2019, and the Association's exposure to custodial credit risk is as follows:

Custodial credit risk:		
Corporate stock		\$ 4,815,279
Government securities		615,565
Mortgage/asset backed securities		630,030
Corporate bonds		530,390
Alternative investments		476,891
Total investments held by custodians		<u>7,068,155</u>
Investments not subject to custodial credit risk:		
Mutual funds		1,412,093
		<u>\$ 8,480,248</u>

Concentration of Credit Risk-Investments

Concentration risk is the risk of loss attributed to the magnitude of the Association's investment in a single issuer. Investments in any one issuer that represents 5% or more of total investments are considered to be exposed to concentrated credit risk and are required to be disclosed. Investments issued and explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The Association IMP requires investments to be diversified with the intent to minimize the risk of large investment losses. Currently, the Association has the following investment allocation ranges in its policy to limit its exposure to concentrated credit risk:

Asset Class	Minimum	Target	Maximum
Equities:			
Large cap	15%	25%	45%
Small cap	5	10	15
International/global	10	15	25
Fixed income	25	35	50
Cash	—	—	10
Hedge funds	—	5	10
Private equity	—	5	10
Real estate	—	5	10

As of June 30, 2020 and 2019, the Association did not have any investments in one issuer that represented more than 5% of total investments.

Interest Rate Risk-Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Currently, the Association does not have a policy to limit its exposure to interest rate risk.

**The University of New Mexico Alumni Association
(A Component Unit of the University of New Mexico)
Notes to Financial Statements**

Note 4 – Investments (continued)

A summary of the investments held by the Association and the respective maturities at June 30, 2020, and the exposure to interest rate risk is as follows:

	Fair value	Less than one year	1–5 years	6–10 years	More than 10 years
At interest rate risk:					
Government securities	\$ 765,342	\$ 42,504	\$ 380,356	\$ 67,374	\$ 275,108
Mortgage/asset backed securities	502,655	15	46,502	-	456,138
Corporate bonds	557,012	4,061	134,279	290,474	128,198
	<u>1,825,009</u>	<u>\$ 46,580</u>	<u>\$ 561,137</u>	<u>\$ 357,848</u>	<u>\$ 859,444</u>
Not subject to interest rate risk:					
Corporate stock	4,780,493				
Mutual funds - other than fixed income	1,424,345				
Alternative investments	448,451				
Total investments	<u>\$ 8,478,298</u>				

A summary of the investments held by the Association and the respective maturities at June 30, 2019, and the exposure to interest rate risk is as follows:

	Fair value	Less than one year	1–5 years	6–10 years	More than 10 years
At interest rate risk:					
Government securities	\$ 615,565	\$ 69,168	\$ 182,410	\$ 33,175	\$ 330,812
Mortgage/asset backed securities	630,030	355	33,673	-	596,002
Corporate bonds	530,390	16,121	154,482	227,412	132,375
	<u>1,775,985</u>	<u>\$ 85,644</u>	<u>\$ 370,565</u>	<u>\$ 260,587</u>	<u>\$ 1,059,189</u>
Not subject to interest rate risk:					
Corporate stock	4,815,279				
Mutual funds - other than fixed income	1,412,093				
Alternative investments	476,891				
Total investments	<u>\$ 8,480,248</u>				

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Association IMP includes specific investment quality requirements for each asset class to limit its exposure to credit risk. The Association is required to disclose credit ratings of its investments in order to assess credit risk.

**The University of New Mexico Alumni Association
(A Component Unit of the University of New Mexico)
Notes to Financial Statements**

Note 4 – Investments (continued)

The following is a summary of the Foundation's investments that are exposed to credit risk at June 30, 2020 and 2019.

June 30, 2020					
Credit Rating	Government Securities	Mortgage/Asset Backed Securities	Corporate Bonds	Total	Percentage of Bond Portfolio
AAA	\$ -	\$ 35,330	\$ 70,554	\$ 105,884	6%
AA+	31,164	-	-	31,164	2%
A	-	-	4,316	4,316	0%
A-	-	-	116,670	116,670	6%
AA-	-	-	47,708	47,708	3%
BBB+	-	-	217,080	217,080	12%
BBB	-	-	61,896	61,896	3%
BBB-	-	-	4,366	4,366	0%
BB+	-	-	34,422	34,422	2%
Not Rated	-	467,325	-	467,325	26%
U.S. Government Guaranteed	734,178	-	-	734,178	40%
Total	<u>\$ 765,342</u>	<u>\$ 502,655</u>	<u>\$ 557,012</u>	<u>\$ 1,825,009</u>	<u>100%</u>

June 30, 2019					
Credit Rating	Government Securities	Mortgage/Asset Backed Securities	Corporate Bonds	Total	Percentage of Bond Portfolio
AAA	\$ -	\$ 27,086	\$ 61,332	\$ 88,418	5%
AA+	28,752	-	-	28,752	2%
A	-	-	108,560	108,560	6%
A-	-	-	44,064	44,064	2%
BBB+	-	-	295,876	295,876	17%
BBB	-	-	20,558	20,558	1%
Not Rated	-	602,944	-	602,944	34%
U.S. Government Guaranteed	586,813	-	-	586,813	33%
Total	<u>\$ 615,565</u>	<u>\$ 630,030</u>	<u>\$ 530,390</u>	<u>\$ 1,775,985</u>	<u>100%</u>

Foreign Currency Risk

The Association did not hold any investments that were subject to foreign currency risk at June 30, 2020 and 2019.

Net change in Fair Value of Investments

During the years ended June 30, 2020 and 2019, the Association experienced realized and unrealized (loss) gain on investments held as outlined below:

	2020	2019
Realized gain	\$ 237,555	\$ 391,792
Unrealized (loss) gain	(259,062)	96,279
	<u>\$ (21,507)</u>	<u>\$ 488,071</u>

**The University of New Mexico Alumni Association
(A Component Unit of the University of New Mexico)
Notes to Financial Statements**

Note 4 – Investments (continued)

Fair Value Measurement

The Alumni Association 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 Alumni Association considers the reasonableness of the NAV, based on market information, to arrive at the fair value estimates for each investment.

The Alumni Association has the following recurring fair value measurements as of June 30, 2020:

	Total Fair Value	(Level 1)	(Level 2)	(Level 3)
Investments held by the Alumni Association:				
Corporate stock	\$ 4,780,493	\$ 4,780,493	\$ -	\$ -
Government securities	765,342	-	765,342	-
Mutual funds	1,424,345	1,424,345	-	-
Mortgage/asset backed securities	502,655	-	502,655	-
Corporate bonds	557,012	-	557,012	-
Total investments subject to leveling	<u>8,029,847</u>	<u>\$ 6,204,838</u>	<u>\$ 1,825,009</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV):				
Alternative investments				
Private equity funds	305,088			
Hedge funds	143,363			
Total investments	<u>\$ 8,478,298</u>			

**The University of New Mexico Alumni Association
(A Component Unit of the University of New Mexico)
Notes to Financial Statements**

Note 4 – Investments (continued)

The Alumni Association has the following recurring fair value measurements as of June 30, 2019:

	Total Fair Value	(Level 1)	(Level 2)	(Level 3)
Investments held by the Alumni Association:				
Corporate stock	\$ 4,815,279	\$ 4,815,279	\$ -	\$ -
Government securities	615,565	-	615,565	-
Mutual funds	1,412,093	1,412,093	-	-
Mortgage/asset backed securities	630,030		630,030	
Corporate bonds	530,390	-	530,390	-
Total investments subject to leveling	<u>8,003,357</u>	<u>\$ 6,227,372</u>	<u>\$ 1,775,985</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV):				
Alternative investments				
Private equity funds	295,741			
Hedge funds	181,150			
Total investments	<u>\$ 8,480,248</u>			

Note 5 – Quasi-Endowment

During fiscal year 2015, the Board of Directors of the Association approved an internal endowment policy for management of a portion of the Association investments. The quasi-endowment is earmarked for future operating and program expenses of the Association. Reallocation of balances between the Quasi-Endowment and other net position balances may be made at the discretion of the Association Board of Directors. The Association Board-designated endowment of \$7,000,000 is accounted for and included under unrestricted net position.

Note 6 – University of New Mexico Support

The Association has committed to donate to UNM in an effort to assist with University budget shortfalls. At June 30, 2020 and 2019, the Association made \$75,000 and \$55,000 in funding support payments, respectively.

Note 7 – Related-Party Transactions

UNM provides office space, personnel, supplies, and utilities to the Association at no cost. As such, revenues and expenses related to these costs have not been recorded in the accompanying basic financial statements.

The Association will incur certain expenditures that are paid through UNM. On a quarterly basis, the Association will reimburse UNM for those expenditures it has paid on behalf of the Association. At June 30, 2020 and 2019, the Association had unrestricted balances on deposit with UNM of \$27,784 and \$22,520, respectively.

**The University of New Mexico Alumni Association
(A Component Unit of the University of New Mexico)
Notes to Financial Statements**

Note 7 – Related-Party Transactions (continued)

In addition, UNM/UNMF Endowment Program holds endowment funds and related expendable income funds, which have been contributed for the benefit of the Association. The principal balances amounted to \$884,046 and \$932,992 as of June 30, 2020 and 2019, respectively. A portion of the earnings from the funds, in the amount of \$32,836 and \$32,445, respectively, were allocated to the UNM spending accounts for student scholarships awarded by the Association, as stipulated by the donor. UNMF estimates quarterly earnings for the first three quarters. The final annual allocation was determined and adjustments were made in the fourth quarter allocation on June 30. The principal endowment balances disclosed herein are not recorded in the Association's financial statements.

Risk disclosure information relating to the Foundation's investments in the Consolidated 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.

Note 8 – Contingencies

The Association 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. The Association is 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.

Note 9 – Subsequent Events

Subsequent events are evaluated by management through the date the accompanying financial statements are available to be issued, which is September 23, 2020.

Note 10 – Uncertainties

During the fiscal year, an outbreak of a novel coronavirus (COVID-19) occurred in the United States of America, along with various other countries globally. On March 11, 2020, the World Health Organization assessed the novel coronavirus outbreak and characterized it as a pandemic. Subsequent to the declaration of a pandemic, a variety of federal, state, and local governments have taken actions in response to the pandemic, which have ranged by jurisdiction, but are resulting in a variety of negative economic consequences, the scope of which are not currently known or quantifiable. The duration and intensity of the impact of the coronavirus and resulting impact to the organization is unknown.

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
University of New Mexico Alumni Association
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 University of New Mexico Alumni Association (the Association), a component of the University of New Mexico, which comprise the statement of net position as of June 30, 2020, 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 23, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association'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 Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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 Association'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 Association'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 Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mess Adams LLP

Albuquerque, New Mexico
September 23, 2020

**The University of New Mexico Alumni Association
(A Component Unit of the University of New Mexico)
Summary of Auditor's Results (As Required by 2.2.2.10 NMAC L (1) f)**

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 University of New Mexico Alumni Association
(A Component Unit of the University of New Mexico)
Schedule of Findings and Responses
June 30, 2020**

No matters were reported.

**The University of New Mexico Alumni Association
(A Component Unit of the University of New Mexico)
Summary Schedule of Prior Year Audit Findings
June 30, 2020**

No matters were reported.

**The University of New Mexico Alumni Association
(A Component Unit of the University of New Mexico)**
Exit Conference
June 30, 2020

An exit conference was held on September 23, 2020. During this meeting, the contents of this report were discussed with the following individuals:

The University of New Mexico Alumni Association

Connie Beimer, Executive Director, University of New Mexico Alumni Association

Nicole Dopson, Director Financial Operations, Office of the Provost and Executive Vice President for Academic Affairs

Francisco J. Certain, Financial Analyst, Office of the Provost

Alexis Tappan, President, University of New Mexico Alumni Association

Chad Cooper, Finance Committee Chair and President- Elect, University of New Mexico Alumni Association

Daniel Trujillo, Treasurer, University of New Mexico Alumni Association

Moss Adams LLP

Lisa Todd, Partner

Corrine Zajac-Clarkson, Senior Manager

Shaynae Vasquez, Senior

The University of New Mexico Alumni Association is responsible for the contents of the financial statements. Moss Adams LLP assisted with their preparation.