



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, 2018 and 2017



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

OFFICERS

Harold Lavender – President of the Board
John Brown – President Elect of the Board
Daniel Trujillo – Treasurer of the Board
James Lewis – Past President of the Board

COMMITTEE CHAIRS

James Lewis – Chair, Executive Committee

John Brown – Chair, Finance Committee

EX-OFFICIO MEMBERS

Dana Allen – Executive Director, Alumni Association
Laurie Moye – Chairman of the Board, University of New Mexico Foundation
Joseph Dworak – President, Young Alumni Chapter
Noah Brooks – President, Association Students of the University of New Mexico
Alaa Elmaoued – President, University of New Mexico Graduate and Profession Student Association

DISTINGUISHED LIFETIME MEMBER

Marion Fleck

BOARD MEMBERS

Dana Allen	Chris Lujan	Daniel Trujillo
Garret Adcock	Dolores Martinez	Jacob Wellman
Sandra Begay	Kendra Merritt Doyel	
Breda Bova	Amy Miller	
John Brown	Fred Mondragon	
Sophia Collaros	Karen Moses	
Bill Dolan	Judith Nakamura	
Robert Doughty	Rosalyn Nguyen	
Joseph Dworak	Tim Nisly	
Veronica Garcia	Jim Novak	
Julia Gilroy	P. Michael Padilla	
Sydney Gunthrope	Lorii Rabinowitz	
Leslie Hoffman	Jennifer Riordan	
James King	Henry Rivera	
Dick Knipfing	Jaymie Roybal	
Harold Lavender	Terri Salazar	
James Lewis	Michael Silva	
Ryan Lindquist	Alexis Tappan	
Apollonia Trujillo Gallegos		

Report of Independent Auditors

The Board of Directors
University of New Mexico Alumni Association
and Mr. Wayne Johnson 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, 2018 and 2017, 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, 2018 and 2017, and the changes in its financial position, and its cash flows thereof 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 25, 2018 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 25, 2018

**The University of New Mexico Alumni Association
(A Component Unit of the University of New Mexico)
Management's Discussion and Analysis (Unaudited)
June 30, 2018 and 2017**

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, 2018, 2017 and 2016, 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 nonoperating 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			
	2018	2017	2016
Current assets	\$ 8,916,945	\$ 8,906,332	\$ 8,947,356
Current liabilities	63,273	10,028	94,873
Net position:			
Unrestricted	8,853,672	8,896,304	8,852,483
Total liabilities and net position	<u>\$ 8,916,945</u>	<u>\$ 8,906,332</u>	<u>\$ 8,947,356</u>
Operating revenue:			
Royalties	\$ 513,470	\$ 540,979	\$ 422,613
Alumni programs	60,204	135,373	100,417
Merchandise sales	5,710	9,305	8,795
Total operating revenue	<u>\$ 579,384</u>	<u>\$ 685,657</u>	<u>\$ 531,825</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, 2018 and 2017**

Condensed Financial Information			
	2018	2017	2016
Operating expenses:			
Alumni programs	\$ 480,573	\$ 555,086	\$ 599,548
Management and general	237,485	285,368	296,230
Total operating expenses	<u>718,058</u>	<u>840,454</u>	<u>895,778</u>
Operating loss	<u>(138,674)</u>	<u>(154,797)</u>	<u>(363,953)</u>
Nonoperating revenues (expenses), net:			
Contributions	60,167	5,839	7,661
Investment income, and net increase in fair value of investments	385,875	672,180	101,176
Transfer out-University of New Mexico support	(350,000)	(150,000)	-
UNM courtyard expenses	-	(329,401)	(136,392)
Total nonoperating revenue (expenses), net	<u>96,042</u>	<u>198,618</u>	<u>(27,555)</u>
Increase (decrease) in net position	(42,632)	43,821	(391,508)
Net position, beginning of year	<u>8,896,304</u>	<u>8,852,483</u>	<u>9,243,991</u>
Net position, end of year	<u>\$ 8,853,672</u>	<u>\$ 8,896,304</u>	<u>\$ 8,852,483</u>

Financial Analysis

The Association's total assets at June 30, 2018 of \$8,916,945 exceeded total liabilities of \$63,273 yielding total net position of \$8,853,672. The total net position showed a decrease of 0.50% for the 2018 fiscal year. The primary factor contributing to the increase in total net position in fiscal year 2018 was the performance of the investment portfolio. The Association's total assets at June 30, 2017 of \$8,906,332 exceeded total liabilities of \$10,028 yielding total net position of \$8,896,304. The total net position showed an increase of 0.50% for the 2017 fiscal year. Liabilities increased from \$10,028 at June 30, 2017 to \$63,273 at June 30, 2018, primarily due to the year-end accruals for the accounts payable. 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 slightly over 92% of total assets. The net increase in fair value of the Association's investments for fiscal year 2018 amounted to \$150,241, which is due to market performance of the Association's investments. For fiscal 2017, the fair value of the portfolio reflected a net increase of \$462,233, also due to the market performance of the Association's investments.

Total operating revenues were \$579,384, \$685,657 and \$531,827, and for the years ended June 30, 2018, 2017 and 2016, respectively. The decrease in 2018 is largely due to a decrease in Alumni program revenues. Non-operating revenues were \$446,042, \$678,019 and \$108,387, for the years ended June 30, 2018, 2017 and 2016, respectively. The decrease in fiscal 2018, increase in fiscal 2017, and decrease in fiscal 2016, and are largely due to the performance of the investment portfolio in a market characterized by the change in investment advisors and market conditions. During these three years, our portfolio's performance has consistently paralleled our asset class-weighted benchmark.

**The University of New Mexico Alumni Association
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June 30, 2018 and 2017**

Total operating and non-operating expenses for fiscal year 2018 were \$1,068,058, which represented a 19% decrease in spending from the prior year. This figure includes \$350,000 non-operating expenses for University support. Of the University support, \$150,000 was provided to UNM for advertising geared to engaging UNM alumni and the overall promotion of the University, and \$200,000 was provided to UNM to assist with University budget shortfalls. The decrease in non-operating expenses is due to the Association recognizing a total of \$329,401 in project expenses for the Courtyard (considered non-operating) during fiscal 2017.

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
June 30, 2018 and 2017**

ASSETS

	June 30,	
	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	\$ 692,931	\$ 711,008
Investments	8,190,477	8,174,571
Accounts receivable	10,316	2,240
Prepaid items	23,221	18,513
Total current assets	\$ 8,916,945	\$ 8,906,332

LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Accounts payable	\$ 63,273	\$ 10,028
 Net position:		
Unrestricted	8,853,672	8,896,304
Total liabilities and net position	\$ 8,916,945	\$ 8,906,332

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,	
	2018	2017
OPERATING REVENUES		
Royalties	\$ 513,470	\$ 540,979
Alumni programs	60,204	135,373
Merchandise sales	5,710	9,305
Total operating revenues	<u>579,384</u>	<u>685,657</u>
OPERATING EXPENSES		
Alumni programs	480,573	555,086
Management and general	237,485	285,368
Total operating expenses	<u>718,058</u>	<u>840,454</u>
Operating loss	<u>(138,674)</u>	<u>(154,797)</u>
NONOPERATING REVENUES		
Contributions	60,167	5,839
Investment income	235,634	209,947
Net increase in fair value of investments	150,241	462,233
Total nonoperating revenues	<u>446,042</u>	<u>678,019</u>
NONOPERATING EXPENSES		
UNM courtyard expense	-	(329,401)
Transfer out-University of New Mexico Support	(350,000)	(150,000)
Total nonoperating expenses	<u>(350,000)</u>	<u>(479,401)</u>
CHANGE IN NET POSITION	(42,632)	43,821
NET POSITION, beginning of year	<u>8,896,304</u>	<u>8,852,483</u>
NET POSITION, end of year	<u>\$ 8,853,672</u>	<u>\$ 8,896,304</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,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from royalties	\$ 505,394	\$ 541,945
Cash receipts from alumni programs	60,204	135,373
Cash receipts from merchandise sales	5,710	9,305
Payments to suppliers	(669,521)	(930,902)
Net cash flows used by operating activities	(98,213)	(244,279)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITY		
Cash receipts from contributions	60,167	5,839
Campus improvement	-	(329,401)
Distribution to UNM	(350,000)	(150,000)
Net cash flows used by non-capital financing activities	(289,833)	(473,562)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased	(4,592,402)	(9,063,610)
Investments proceeds	4,726,737	9,449,313
Investment income	235,634	209,947
Net cash flows from investing activities	369,969	595,650
NET DECREASE IN CASH AND CASH EQUIVALENTS	(18,077)	(122,191)
CASH AND CASH EQUIVALENTS, beginning of year	711,008	833,199
CASH AND CASH EQUIVALENTS, end of year	\$ 692,931	\$ 711,008
Reconciliation of operating loss to net cash flows from operating activities:		
Operating loss	\$ (138,674)	\$ (154,797)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Changes in assets and liabilities:		
Accounts receivable	(8,076)	966
Prepaid items	(4,708)	(5,603)
Accounts payable	53,245	(84,845)
Net cash flows used by operating activities	\$ (98,213)	\$ (244,279)

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 by the Association or FIA Card Services. The Association receives payments every quarter and recognizes revenue as it is earned.

Contribution

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, 2018 and 2017, 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 statement 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, 2018, the Association's deposits were exposed to custodial credit risk as follows:

Insured	\$ 46,487
Reconciling items	<u>(5,812)</u>
Deposits recorded in the financial statements	40,675
Funds on deposit with UNM not subject to custodial credit risk	393,309
Money market funds not subject to custodial credit risk	212,759
Money market funds subject to custodial credit risk	46,103
Petty cash	85
Cash and cash equivalents per financial statements	<u><u>\$ 692,931</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, 2017, the Association's deposits were exposed to custodial credit risk as follows:

Insured	\$	82,042
Reconciling items		<u>(1,639)</u>
Deposits recorded in the financial statements		80,403
Funds on deposit with UNM not subject to custodial credit risk		304,712
Money market funds not subject to custodial credit risk		259,329
Money market funds subject to custodial credit risk		66,093
Petty cash		471
Cash and cash equivalents per financial statements	\$	<u><u>711,008</u></u>

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

Name Depository	Account Name	Account Type	Bank Balances	Reconciling Items	Reconciled Balance
Bank of America University of New Mexico	Checking Account	Cash	\$ 40,125	\$ (5,812)	\$ 34,313
University of New Mexico	FRS Expenditures	Cash	16,166	-	16,166
University of New Mexico	Alumni Public Agency Business investment	Cash	377,143	-	377,143
Bank of America	Savings	Cash	6,362	-	6,362
Bank of America	BA	Money Market	46,103	-	46,103
Merrill Lynch	Additional funds	Cash	1,035	-	1,035
Merrill Lynch	Additional funds	Money Market	211,724	-	211,724
			<u>\$ 698,658</u>	<u>\$ (5,812)</u>	<u>692,846</u>
Petty Cash					85
					<u><u>\$ 692,931</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)

A detail of the cash accounts at June 30, 2017 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	\$ 35,405	\$ (1,639)	\$ 33,766
University of New Mexico	FRS Expenditures	Cash	9,301	-	9,301
University of New Mexico	Alumni Public Agency Business investment	Cash	295,411	-	295,411
Bank of America	Savings	Cash	46,637	-	46,637
Bank of America	BA	Money Market	66,093	-	66,093
Merrill Lynch	Quasi Endowment	Cash	789	-	789
Merrill Lynch	Quasi Endowment	Money Market	239,640	-	239,640
Merrill Lynch	Additional funds	Cash	194	-	194
Merrill Lynch	Additional funds	Money Market	18,706	-	18,706
			<u>\$ 712,176</u>	<u>\$ (1,639)</u>	<u>710,537</u>
Petty Cash					471
					<u>\$ 711,008</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, 2018 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	\$ 443,633
Merrill Lynch	Additional	Equities/Fixed Income	128,840
Merrill Lynch	UNM Alumni CMS	Equities/Fixed Income	7,618,004
			<u>\$ 8,190,477</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, 2017 is included below:

Name of Depository	Account Name	Account Type	Account Balance
Merrill Lynch	Alternatives	Alternative Investments	\$ 405,014
Merrill Lynch	Additional	Equities/Fixed Income	440,269
Merrill Lynch	UNM Alumni CMS	Equities/Fixed Income	7,329,288
			<u>\$ 8,174,571</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, 2018, and the Association's exposure to custodial credit risk is as follows:

	<u>2018</u>
Custodial credit risk:	
Corporate Stock	\$ 4,542,111
Government Securities	594,381
Mortgage/Asset Backed Securities	638,945
Corporate Bonds	484,105
Alternative Investments	443,633
Other Bonds	28,042
Total investments held by custodians	<u>6,731,217</u>
Investments not subject to custodial credit risk:	
Mutual Funds	1,459,260
	<u>\$ 8,190,477</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, 2017, and the Association's exposure to custodial credit risk is as follows:

	<u>2017</u>
Custodial credit risk:	
Corporate Stock	\$ 4,089,449
Government Securities	1,126,433
Mortgage/Asset Backed Securities	725,026
Corporate Bonds	381,719
Alternative Investments	405,014
Other Bonds	<u>64,781</u>
Total investments held by custodians	6,792,422
Investments not subject to custodial credit risk:	
Mutual Funds	<u>1,382,149</u>
	<u>\$ 8,174,571</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:

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
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, 2018 and 2017, 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, 2018, and the exposure to interest rate risk is as follows:

	2018 Investment Maturities				
	Fair value	Less than one year	1–5 years	6–10 years	More than 10 years
At interest rate risk:					
Government Securities	\$ 594,381	\$ 116,606	\$ 260,605	\$ 50,226	\$ 166,944
Mortgage/Asset Backed Securities	638,945	-	39,351	3,284	596,310
Corporate Bonds	484,105	8,137	86,422	240,668	148,878
Other Bonds	28,042	-	-	28,042	-
	<u>1,745,473</u>	<u>\$ 124,743</u>	<u>\$ 386,378</u>	<u>\$ 322,220</u>	<u>\$ 912,132</u>
Not subject to interest rate risk:					
Corporate Stock	4,542,111				
Mutual Funds - other than fixed income	1,459,260				
Alternative Investments	443,633				
Total investments	<u>\$ 8,190,477</u>				

A summary of the investments held by the Association and the respective maturities at June 30, 2017, and the exposure to interest rate risk is as follows:

	2017 Investment Maturities				
	Fair value	Less than one year	1–5 years	6–10 years	More than 10 years
At interest rate risk:					
Government Securities	\$ 1,126,433	\$ 107,931	\$ 904,379	\$ 31,569	\$ 82,554
Mortgage/Asset Backed Securities	725,026	-	145,883	20,222	558,921
Corporate Bonds	381,719	42,914	238,592	100,213	-
Other Bonds	64,781	-	64,781	-	-
	<u>2,297,959</u>	<u>\$ 150,845</u>	<u>\$ 1,353,635</u>	<u>\$ 152,004</u>	<u>\$ 641,475</u>
Not subject to interest rate risk:					
Corporate Stock	4,089,449				
Mutual Funds - other than fixed income	1,382,149				
Alternative Investments	405,014				
Total investments	<u>\$ 8,174,571</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)

A summary of the Foundation's investments at June 30, 2018 and 2017.

June 30, 2018						
Credit Rating	Government and Federal Agency Obligations	Mortgage/Asset Backed Securities	Corporate Bonds	Other Bonds	Total	Percentage of Bond Portfolio
AAA	\$ -	\$ 33,429	\$ 55,271	\$ -	\$ 88,700	5%
AA+	135,919	-	41,090	-	177,009	10%
A	-	-	44,805	-	44,805	3%
A-	-	-	94,660	28,042	122,702	7%
AA-	-	-	-	-	-	0%
BBB+	-	-	228,248	-	228,248	13%
BBB	-	-	20,031	-	20,031	1%
BBB-	-	-	-	-	-	0%
Not Rated	-	605,516	-	-	605,516	35%
U.S. Government Guaranteed	458,462	-	-	-	458,462	26%
Total	<u>\$ 594,381</u>	<u>\$ 638,945</u>	<u>\$ 484,105</u>	<u>\$ 28,042</u>	<u>\$ 1,745,473</u>	<u>100%</u>

June 30, 2017						
Credit Rating	Government and Federal Agency Obligations	Mortgage/Asset Backed Securities	Corporate Bonds	Other Bonds	Total	Percentage of Bond Portfolio
AAA	\$ -	\$ 145,883	\$ -	\$ -	\$ 145,883	6%
AA+	118,662	-	-	-	118,662	5%
A	-	-	15,746	-	15,746	1%
A-	-	-	111,726	32,047	143,773	6%
AA-	-	-	25,103	-	25,103	1%
BBB+	-	-	169,700	32,734	202,434	9%
BBB	-	-	59,444	-	59,444	3%
BBB-	-	-	-	-	-	0%
Not Rated	-	579,143	-	-	579,143	25%
U.S. Government Guaranteed	1,007,771	-	-	-	1,007,771	44%
Total	<u>\$ 1,126,433</u>	<u>\$ 725,026</u>	<u>\$ 381,719</u>	<u>\$ 64,781</u>	<u>\$ 2,297,959</u>	<u>100%</u>

Foreign Currency Risk

The Association did not hold any investments that were subject to foreign currency risk at June 30, 2018 and 2017.

Net Increase in Fair Value of Investments

During the years ended June 30, 2018 and 2017, the Association experienced realized and unrealized gains, net on investments held as outlined below:

	2018	2017
Realized gain	\$ 314,840	\$ 52,096
Unrealized (loss) gain	(164,599)	410,137
	<u>\$ 150,241</u>	<u>\$ 462,233</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, 2018:

	June 30, 2018			
	Total Fair Value	(Level 1)	(Level 2)	(Level 3)
Investments held by the Alumni Association:				
Corporate Stock	\$ 4,542,111	\$ 4,542,111	\$ -	\$ -
Government Securities	594,381	-	594,381	-
Mutual Funds	1,459,260	1,459,260	-	-
Mortgage/Asset Backed Securities	638,945	-	638,945	-
Corporate Bonds	484,105	-	484,105	-
Other Bonds	28,042	-	28,042	-
Total investments subject to leveling	<u>7,746,844</u>	<u>\$ 6,001,371</u>	<u>\$ 1,745,473</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV):				
Alternative Investments				
Private Equity Funds	267,297			
Hedge Funds	176,336			
Total investments	<u>\$ 8,190,477</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, 2017:

	June 30, 2017			
	Total Fair Value	(Level 1)	(Level 2)	(Level 3)
Investments held by the Alumni Association:				
Corporate Stock	\$ 4,089,449	\$ 4,089,448	\$ -	\$ -
Government Securities	1,126,433	-	1,126,433	-
Mutual Funds	1,382,149	1,382,149	-	-
Mortgage/Asset Backed Securities	725,026	-	725,026	-
Corporate Bonds	381,719	-	381,719	-
Other Bonds	64,781	-	64,781	-
Total investments subject to leveling	<u>7,769,557</u>	<u>\$ 5,471,597</u>	<u>\$ 2,297,959</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV):				
Alternative Investments				
Private Equity Funds	243,466			
Hedge Funds	161,548			
Total investments	<u>\$ 8,174,571</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 – Courtyard Gift

On September 1, 2016, the Association entered into a memorandum of agreement with Regents of the University of New Mexico to refurbish an existing courtyard on UNM campus. These expenses amounted to \$329,401 as of June 30, 2017. The project was completed in June 2017.

Note 7 – University of New Mexico Support

In October 2016, the Association committed to donate \$150,000 to the UNM re-branding, with an additional commitment of \$150,000 for re-branding 2018. In May 2017, the Association committed to donate \$200,000 to UNM in an effort to assist with University budget shortfalls. The \$200,000 was transferred to UNM during fiscal year 2018 in quarterly installments. The Association's total 2018 commitment to support the University in these two areas were \$350,000.

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

Note 8 – 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, 2018 and 2017, the Association had unrestricted balances on deposit with UNMF of \$16,166 and \$9,307, respectively.

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 \$932,197 and \$888,488 as of June 30, 2018 and 2017, respectively. A portion of the earnings from the funds, in the amount of \$31,887 and \$31,064, 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 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.

Note 9 – Contingencies

Risk Management

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.

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. Wayne Johnson, 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, 2018, 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 25, 2018.

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 25, 2018

**The University of New Mexico Alumni Association
(A Component Unit of the University of New Mexico)
Schedule of Findings and Responses
June 30, 2018**

No matters were reported.

**The University of New Mexico Alumni Association
(A Component Unit of the University of New Mexico)
Summary Schedule of Prior Audit Findings
June 30, 2018**

2017-001 University Policy Compliance – findings that do not rise to the level of a significant deficiency

Current Status: Resolved

**The University of New Mexico Alumni Association
(A Component Unit of the University of New Mexico)
Exit Conference
June 30, 2018**

An exit conference was held on September 21, 2018. During this meeting, the contents of this report were discussed with the following individuals:

The University of New Mexico Alumni Association

Dana Allen, Executive Director

John Brown, President, Alumni Association

Daniel Trujillo, Treasurer, Alumni Association

Jim Novak, Board Member, Alumni Association

Vera Clyne, Sr. Fiscal Services Tech, Alumni Association

Moss Adams LLP

Corrine Zajac-Clarkson, Senior Manager

Samantha Hairston, Senior

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