



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

Financial Statements

June 30, 2011 and 2010

(With Independent Auditors' Report Thereon)

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

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

Official Roster

June 30, 2011

OFFICERS

Steve Christ – President of the Board
Waneta Tuttle – President Elect of the Board
Gene Baca – Treasurer of the Board
Ruth Schifani – Past President of the Board

COMMITTEE CHAIRS

Steve Christ – Chair, Executive Committee
Jimmy Trujillo – Chair, Finance Committee

EX-OFFICIO MEMBERS

Karen Abraham – Associate Vice President; Secretary of the Board
Anne Yegge
Mathew Maez

DISTINGUISHED LIFETIME MEMBER

Marion Fleck

BOARD MEMBERS

Monica Armenta	Gene Baca
Karen Bayless	Penny Beaumont
Amy Boule	Lila Boyden
Brian Bumett	David Campbell
Adrian Chernoff	Steve Christ
Brian Colon	Henry Crumpton
Wayne Davenport	Rich Diller
Irvin D. Harrison	Nancy Herring
James Jimenez	Sarah Kotchian
Harold Lavender	Alice Loy
Mathew Martinez	Cheryl Matherly
V.B. Price	Gail Rosenblum
Randy Royster	Ruth Schifani
Kathi Schroeder	Erma Sedillo
Jane Shuler Gray	Donald “Duffy” Swan
John E. Thorson	Jimmy Trujillo
Waneta Tuttle	Angie Wilcox
Cody Willard	Kathie Winograd



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Independent Auditors' Report

The Board of Directors
University of New Mexico Alumni Association
and
Mr. Hector H. Balderas
New Mexico State Auditor:

We have audited the accompanying basic financial statements of the University of New Mexico Alumni Association (Association), a component unit of the University of New Mexico, as of and for the year ended June 30, 2011 as listed in the table of contents. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The accompanying basic financial statements of the Association as of June 30, 2010 were audited by other auditors whose report thereon dated October 12, 2010 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2011, and the changes in its financial position and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 14, 2011 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 6 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

October 14, 2011

THE UNIVERSITY OF NEW MEXICO ALUMNI ASSOCIATION

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Management's Discussion And Analysis (Unaudited)

June 30, 2011 and 2010

As a component unit of the University of New Mexico (UNM), the Alumni Association (Association) has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments*.

Overview of the Financial Statements

The Association's 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, 2011 and 2010, and the following, which comprise the basic financial statements:

1. Balance Sheet
2. Statement of Revenues, Expenses, and Changes in Net Assets
3. Statement 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 balance sheet of the Association provides both long-term and short-term information about the Association's overall financial status. The Statement of Revenues, Expenses, and Changes in Net Assets 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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current assets	\$ 9,064,597	8,131,686	7,400,901
Current liabilities	5,640	7,098	301,685
Net assets:			
Restricted expendable	31,903	31,211	29,525
Unrestricted	9,027,054	8,093,377	7,069,691
Total liabilities and net assets	<u>\$ 9,064,597</u>	<u>8,131,686</u>	<u>7,400,901</u>
Operating revenue:			
Royalties	\$ 316,184	1,002,223	1,022,645
Alumni programs	115,432	107,708	102,602
Letterman alumni programs	32,201	46,707	36,963
Merchandise sales	10,714	12,911	243
Total operating revenue	<u>474,531</u>	<u>1,169,549</u>	<u>1,162,453</u>

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June 30, 2011 and 2010

Condensed Financial Information

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating expenses:			
Alumni programs	\$ 565,681	731,289	807,064
Management and general	82,010	59,146	33,554
	<u>647,691</u>	<u>790,435</u>	<u>840,618</u>
Total operating expenses			
Operating (loss) income	<u>(173,160)</u>	<u>379,114</u>	<u>321,835</u>
Non operating revenue (expense):			
Allocations from UNM Foundation	—	65,000	65,000
Contributions	11,257	16,927	10,351
Investment income (loss), net	1,096,272	569,888	(1,068,465)
	<u>1,107,529</u>	<u>651,815</u>	<u>(993,114)</u>
Total incorporating revenue (expense)			
Change in net assets	934,369	1,030,929	(671,279)
Net assets, beginning of year	<u>8,124,588</u>	<u>7,099,216</u>	<u>7,770,495</u>
Net assets, end of year	<u>\$ 9,058,957</u>	<u>8,130,145</u>	<u>7,099,216</u>

Financial Analysis

The Association's total assets at June 30, 2011 of \$9,064,597 exceeded total liabilities of \$5,640 yielding total net assets of \$9,058,957. The total net assets showed an increase of 11.5% for the 2011 fiscal year. The Association's total assets at June 30, 2010 of \$8,131,686 exceeded total liabilities of \$7,098 yielding total net assets of \$8,124,588. The total net assets showed an increase of 14.4% for the 2010 fiscal year. The primary factors contributing to the increase of total net assets in fiscal year 2011 was the improved performance of the investment portfolio in the 2011 fiscal year. Liabilities decreased from \$7,098 at June 30, 2010 to \$5,640 at June 30, 2011. Liabilities decreased from \$463,572 at June 30, 2008 to \$301,685 at June 30, 2009. The Association does not have capital assets since it is a component unit of UNM and UNM holds title to all capital assets.

The majority of the Association's assets is its investments (76.65%). In the past year, investments continued to recover from the economic downturn of 2009. The net increase in fair value of the investment portfolio for fiscal year 2011 amounted to \$886,302, which was an improvement over the previous year's net increase of \$387,461, which was a significant improvement from the net decrease in 2009 of \$1,297,072. The current investments resulted in higher earnings in dividends and interest than in prior years due to higher rates of return on cash equivalent accounts. Investment income in 2011 was \$209,970, investment income in 2010 was \$182,427, while 2009 was \$228,607. The gains in the investment portfolio was a major contributor to the Association's increase in net assets \$934,369 for 2011. In comparison, the 2010 increase in net assets was \$1,025,372 and the 2009 decrease in net assets was \$671,279.

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Management's Discussion And Analysis (Unaudited)

June 30, 2011 and 2010

Total operating revenues were \$474,531, \$1,169,549, and \$1,162,453 for the years ended June 30, 2011, 2010, and 2009 respectively. The decrease from 2010 and 2009 is largely due to the expiration of the credit card affinity agreement with MBNA in June of 2010 which provided royalty revenues of approximately \$1,000,000 on an annual basis. A new credit card affinity agreement was entered into in April of 2011.

Nonoperating revenues (expenses) were \$1,107,529, \$651,815, and \$(993,114) for the years ended June 30, 2011, 2010, and 2009 respectively. The increase from 2010 and 2009 is largely due to the improved performance of the investment portfolio.

Total operating expenses for fiscal year 2011 was \$647,691, which represented an 18.63% decrease in spending from the prior year. The decrease is primarily due to tighter budget control in anticipation of the weak economic recovery. Total operating expenses for fiscal year 2010 was \$795,992, which represented a 5.3% decrease in spending from the prior 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 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
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Balance Sheets

June 30, 2011 and 2010

Assets	2011	2010
	<u> </u>	<u> </u>
Current assets:		
Cash and cash equivalents	\$ 1,978,152	2,034,889
Investments	6,948,461	6,000,673
Accounts receivable	118,642	81,897
Other assets	<u>19,342</u>	<u>14,227</u>
Total current assets	<u>\$ 9,064,597</u>	<u>8,131,686</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	<u>\$ 5,640</u>	<u>7,098</u>
Total current liabilities	<u>5,640</u>	<u>7,098</u>
Net assets:		
Restricted expendable	31,903	31,211
Unrestricted	<u>9,027,054</u>	<u>8,093,377</u>
Total net assets	<u>9,058,957</u>	<u>8,124,588</u>
Total liabilities and net assets	<u>\$ 9,064,597</u>	<u>8,131,686</u>

See accompanying notes to financial statements.

THE UNIVERSITY OF NEW MEXICO ALUMNI ASSOCIATION

(A Component Unit of the University of New Mexico)

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Royalties	\$ 316,184	1,002,223
Alumni programs	115,432	107,708
Letterman alumni programs	32,201	46,707
Merchandise sales	10,714	12,911
Total operating revenues	<u>474,531</u>	<u>1,169,549</u>
Operating expenses:		
Alumni programs	565,681	739,264
Management and general	82,010	56,728
Total operating expenses	<u>647,691</u>	<u>795,992</u>
Operating (loss) income	<u>(173,160)</u>	<u>373,557</u>
Nonoperating revenues:		
Allocation from the UNM Foundation	—	65,000
Contributions	11,257	16,927
Investment income, net	209,970	182,427
Net increase in fair value of investments	886,302	387,461
Total nonoperating revenues	<u>1,107,529</u>	<u>651,815</u>
Change in net assets	934,369	1,025,372
Net assets, beginning of year	<u>8,124,588</u>	<u>7,099,216</u>
Net assets, end of year	<u>\$ 9,058,957</u>	<u>8,124,588</u>

See accompanying notes to financial statements.

THE UNIVERSITY OF NEW MEXICO ALUMNI ASSOCIATION
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Statements of Cash Flows

Years ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Cash receipts from royalties	\$ 279,930	813,657
Cash receipts from alumni programs	147,634	148,858
Cash receipts from merchandise sales	10,714	12,911
Payments to suppliers	(654,756)	(781,179)
Net cash from operating activities	(216,478)	194,247
Cash flows from noncapital financing activities:		
Cash receipts from contributions	11,257	16,927
Cash receipts from allocations from the UNM Foundation	—	65,000
Net cash from noncapital financing activities	11,257	81,927
Cash flows from investing activities:		
Investments purchased	(4,248,534)	(1,895,234)
Investments proceeds	4,187,048	1,614,441
Cash receipts from investment income	209,970	182,427
Net cash from investing activities	148,484	(98,366)
Net (decrease) increase in cash and cash equivalents	(56,737)	177,808
Cash and cash equivalents, beginning of year	2,034,889	1,857,081
Cash and cash equivalents, end of year	\$ 1,978,152	2,034,889
Reconciliation of operating income to net cash provided by operating activities:		
Operating (loss) income	\$ (173,160)	373,557
Adjustments to reconcile operating (loss) income to net cash from operating activities:		
Changes in assets and liabilities:		
Accounts receivable	(36,745)	112,149
Other assets	(5,115)	3,128
Accounts payable	(1,458)	6,128
Deferred revenue	—	(300,715)
Net cash from operating activities	\$ (216,478)	194,247

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2011 and 2010

(1) Organization

The University of New Mexico Alumni Association (Association), a component unit of the University of New Mexico, 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 corporate entity, it operates in conjunction with the University of New Mexico Alumni Relations Office. Approximately 5% of the Association's support for 2010 came from the University of New Mexico Foundation. The University of New Mexico Foundation did not provide any support to the Association for 2011.

The University of New Mexico Alumni Letterman Association (Letterman Association) is a chapter of the Association operating under the Association's tax-exempt status and federal tax I.D. number for the purpose of promoting and enhancing varsity athletics and higher education at the University of New Mexico. The activities of the Letterman Association are included in the accompanying financial statements. Summarized financial information for the Letterman Association as of June 30, 2011 and 2010 is as follows:

	2011	2010
Assets:		
Cash	\$ 7,559	23,366
Certificate of deposit	6,557	6,515
Total assets and net assets	\$ 14,116	29,881
Revenues from other support – Letterman programs	\$ 32,201	46,707
Expenses – Letterman Alumni programs	47,966	34,916
Change in net assets	\$ (15,765)	11,791

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

(2) Significant Accounting Policies

(a) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

As a component unit of the University of New Mexico, 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 entity. 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.

Effective July 1, 2010, the Association adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 and AICPA*

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Pronouncements, which supersedes GASB No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. The GASB No. 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The adoption of GASB 62 had no impact on the Association's accounting policies, as the Association had previously elected in accordance with GASB No. 20 to not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, and applicable FASB pronouncements issued on or before November 30, 1989 have now been incorporated into GASB pronouncements.

Operating revenues and expenses are those incurred that relate directly to events and activities required to maintain a positive relationship between the University of New Mexico and its alumni. These activities constitute the Association's ongoing principal operations. All other revenues and expenses are considered nonoperating.

(b) Net Assets

Unrestricted net assets represent resources whose use is not limited or restricted by donors. Unrestricted net assets have arisen from exchange transactions and receipt of unrestricted contributions.

Restricted net assets represent those operating funds on which external restrictions have been imposed that limit the purposes for which such funds can be used. Restricted expendable net assets are resources that the Association is legally or contractually obligated to spend in accordance with imposed restrictions by third parties, such as donors. When an expense is incurred that can be paid using either restricted or unrestricted resources, the Association's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

(c) 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 for purposes of the statements of cash flows are cash on deposit with financial institutions, amounts held as cash within investment portfolios and amounts on deposit with the University of New Mexico Foundation.

(d) 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 assets.

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(e) Revenue Recognition

Revenue and support are recognized as the Association becomes entitled to the funds. During 2010, a portion of its revenue was derived from an annual allocation of funds from the University of New Mexico Foundation. This annual allocation was discontinued during 2011. Another 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 several licensing agreements made with unrelated parties. The Association is paid a percentage royalty for use of its name and logo. Revenues are recognized when the Association becomes entitled to such funds in accordance with these agreements.

Effective July 1, 2003, the Association entered into a credit card affinity agreement with MBNA. The Association provides MBNA with semiannual UNM alumni listings in exchange for a fixed dollar amount or set percentages of the proceeds for new credit card agreements. During fiscal year 2004, the Association received \$1,105,000 in advance payments and received payments every quarter from July 2003 through June 30, 2010 when the contract ended. The Association recognized revenue evenly over the seven-year life of the contract. Cash received but not recognized as revenue was recorded as deferred revenue through the duration of the contract.

Effective April 1, 2011, the Association entered into a new credit card affinity agreement with FIA Card Services, N.A. This agreement amended the original agreement noted above. The Association will receive payments every quarter from June 2011 through March 2014 and will recognize revenue as it is earned.

(f) Contribution

The Association recognizes revenue from contributions when all applicable eligibility requirements are met. All purpose-restricted contributions are reported as increases in restricted net assets until the restriction is accomplished, at such time, the restricted net assets are reclassified to unrestricted net assets. Promises to give (pledges) are recorded at net realizable value.

(g) Accounts Receivable

Accounts receivable consist of amounts receivable from MBNA and others under affinity agreements. The Association has not provided an allowance for their collectability as management considers them fully collectable.

(h) Investments

Investments are reported at fair value determined by published market data and consist of mutual funds, corporate stock, and certificates of deposit. The change in fair value is reported in the statements of revenues, expenses, and changes in net assets.

(i) 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

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certain amounts and disclosures during the reporting period. Accordingly, actual results could differ from those estimates.

(j) Reclassifications

Certain reclassifications have been made in the 2010 financial statements to conform to the 2011 presentation.

(3) Cash and Cash Equivalents

(a) 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 limits the amount of credit expense with any one financial institution and believes that no significant custodial credit risk exists.

As of June 30, 2011, the Association's deposits including certificates of deposits were exposed to custodial credit risk as follows:

Insured	\$	60,647
Reconciling items		(44,661)
		15,986
Deposits per financial statements		15,986
Funds on deposit with UNM		402,936
Money market mutual funds not subject to classification or custodial credit risk		1,559,230
		1,559,230
Cash and cash equivalents per financial statements	\$	1,978,152

As of June 30, 2010, the Association's deposits including certificates of deposits were exposed to custodial credit risk as follows:

Insured	\$	71,589
Uninsured and collateralized with securities held in the financial institution's name		—
Uninsured and uncollateralized		—
		71,589
Reconciling items		(40,301)
		31,288
Deposits per financial statements		31,288
Funds on deposit with UNM		297,654
Money market mutual funds not subject to classification or custodial credit risk		1,705,947
		1,705,947
Cash and cash equivalents per financial statements	\$	2,034,889

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A detail of the cash accounts at June 30, 2011 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	\$ 53,088	44,661	8,427
University of New Mexico	FRS Expenditures	Cash	(2,922)	—	(2,922)
University of New Mexico	Public Agency	Cash	(1)	—	(1)
Bank of America	Letterman	Cash	7,559	—	7,559
University of New Mexico	Alumni Public Agency	Cash	405,859	—	405,859
Bank of America	BA	Money Market	919,130	—	919,130
	Business investment				
Bank of America	Savings	Money Market	389,215	—	389,215
Genworth Financial					
Trust	Corporation Account	Money Market	(17)	—	(17)
TD Ameritrade	New Frontier	Money Market	12,307	—	12,307
TD Ameritrade	Corporation Account	Money Market	222,571	—	222,571
TD Ameritrade	PIMCO	Money Market	16,024	—	16,024
			<u>\$ 2,022,813</u>	<u>44,661</u>	<u>1,978,152</u>

(4) Investments

Investments are held by the UNM Alumni Association as well as at the UNM Foundation in the Combined Investment Fund (CIF). The objective of these investments is 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 mutual funds and cash and cash equivalents. 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 maintains cash and cash equivalents with financial institutions that exceed the FDIC limits. 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 is not subject to any statutory or policy restrictions on cash deposits or investments.

(a) 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.

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June 30, 2011 and 2010

A summary of the Investments held by the Association at June 30, 2011 and 2010, and the Association's exposure to custodial credit risk is as follows:

	2011
Custodial credit risk:	
Domestic corporate stock	\$ 3,299,671
Mutual funds	2,507,749
Total securities held by custodians	5,807,420
Investments not subject to custodial credit risk:	
Certificate of deposit	1,111,288
Other	29,753
	\$ 6,948,461
2010	
Custodial credit risk:	
Domestic corporate stock	\$ 2,840,158
Mutual funds	2,027,336
Total securities held by custodians	4,867,494
Investments not subject to custodial credit risk:	
Certificate of deposit	1,104,118
Other	29,061
	\$ 6,000,673

(b) 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. As of June 30, 2011 and 2010, the Association did not have any investments in one issuer that represented more than 5% of total investments, except as noted below:

	2011	2010
Certificates of deposit with Bank of the West	\$ 1,104,731	1,097,603

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Notes to Financial Statements

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(c) ***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.

A summary of the investments held by the Association and the respective maturities at June 30, 2011 and the exposure to interest rate risk is as follows:

	<u>Fair value</u>	<u>Maturity</u>
Exposed to interest rate risk:		
Bank of the West Certificates of deposit	\$ 293,696	07/21/12
Bank of the West Certificates of deposit	284,027	11/15/11
Bank of the West Certificates of deposit	273,230	12/29/11
Bank of the West Certificates of deposit	253,778	11/03/11
Lettermen Certificate of deposit	6,557	06/19/12
	<u>1,111,288</u>	
Not exposed to interest rate risk:		
Corporate stock	3,299,671	
Mutual funds	2,507,749	
Other	29,753	
	<u>6,948,461</u>	
Total investments	\$ <u>6,948,461</u>	

A summary of the investments held by the Association and the respective maturities at June 30, 2010, and the exposure to interest rate risk is as follows:

	<u>Fair value</u>	<u>Maturity</u>
Exposed to interest rate risk:		
Bank of the West Certificates of deposit	\$ 291,251	07/21/12
Bank of the West Certificates of deposit	282,101	11/15/11
Bank of the West Certificates of deposit	272,447	12/29/11
Bank of the West Certificates of deposit	251,804	11/03/11
Lettermen Certificate of deposit	6,515	06/19/11
	<u>1,104,118</u>	
Not exposed to interest rate risk:		
Corporate stock	2,840,158	
Mutual funds	2,027,336	
Other	29,061	
	<u>6,000,673</u>	
Total investments	\$ <u>6,000,673</u>	

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

Notes to Financial Statements

June 30, 2011 and 2010

(d) Credit Quality Risk

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Association is required to disclose credit ratings of its investments in order to assess credit risk, however, none of the Association's investments meet the criteria for disclosure except for the money market funds. Ratings for the money market funds were not available.

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

At June 30, 2011 and 2010, the Association held approximately \$628,022 and \$737,922 of investments in the CIF, respectively. These funds are not reported on the balance sheets of the Association but disclosed in note 7 of these financial statements.

During the years ended June 30, 2011 and 2010, the Foundation experienced realized and unrealized gains on investments held as outlined below:

	2011	2010
Realized	\$ 331,060	120,881
Unrealized	555,242	266,580
	\$ 886,302	387,461

The calculation of unrealized gains/losses is independent of a calculation of the net change in fair value of investments. Unrealized gains/losses on investments are combined with realized gains/losses on investments and reported on the statement of revenues, expenses, and changes in net assets.

A detail of the investment accounts at June 30, 2011 is included below:

Name of depository	Account name	Account type	Bank balance
TD Ameritrade	Corporation Acct	Domestic Corporate Stock	\$ 3,299,671
TD Ameritrade	New Frontier	Mutual Funds	414,992
TD Ameritrade	PIMCO	Mutual Funds	931,439
Genworth Financial Trust	Corporation Acct	Mutual Funds	870,719
Genworth Financial Trust	SSgA	Mutual Funds	290,599
Morgan Stanley	Scholarship	Other	29,753
Bank of the West	Certificates of Deposit	Certificate of Deposit	1,104,731
Bank of America	Certificates of Deposit	Certificate of Deposit	6,557
			\$ 6,948,461

THE UNIVERSITY OF NEW MEXICO ALUMNI ASSOCIATION
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Notes to Financial Statements

June 30, 2011 and 2010

(5) Related Party Transactions

The University of New Mexico provides office space, personnel, supplies, and utilities to the Association at no cost.

The Association has historically received an annual allocation from the University of New Mexico Foundation, which it considers nonoperating revenue. The allocation for the year ended June 30, 2011 was \$0 and for 2010 was \$65,000. In addition, the Association will incur certain expenditures that are paid through the University of New Mexico. On a quarterly basis, the Association will reimburse the University of New Mexico for those expenditures it has paid on behalf of the Association. At June 30, 2011 and 2010, the Association had unrestricted balances on deposit with the University of New Mexico Foundation of \$(2,923) and \$28,461, respectively.

(6) Restricted Expendable Net Assets

Restricted net assets are available for the following purposes:

	<u>2011</u>	<u>2010</u>
Scholarships	\$ 31,903	31,211

(7) Endowments Held by the University of New Mexico Foundation

In addition to the funds recorded on the Association's financial statements, the University of New Mexico/University of New Mexico Foundation Endowment Program holds endowment funds and related expendable income funds which have been contributed for the benefit of the Association. These funds amounted to \$628,022 and \$737,922 as of June 30, 2011 and 2010, respectively. Income from these funds in the amount of \$114,282 and \$38,815 was expendable for designated programs, as stipulated by the donor as of June 30, 2011 and 2010, respectively.

(8) Contingencies

Insurance Coverage

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.



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

The Board of Directors
University of New Mexico Alumni Association
and
Mr. Hector H. Balderas
New Mexico State Auditor:

We have audited the basic financial statements of the University of New Mexico Alumni Association (Association) a component unit of the University of New Mexico as of and for the year ended June 30, 2011 and have issued our report thereon dated October 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Association's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over financial reporting.

A deficiency in internal control over financial reporting 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 over financial reporting, 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free of 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*.

This report is intended solely for the information and use of the executive committee, board of directors, management, the University of New Mexico, and State Auditor of New Mexico, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

October 14, 2011

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

Schedule of Findings and Responses

June 30, 2011 and 2010

Findings – Financial Statement Audit

Prior Year Findings

None

Current Year Findings

None

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

Exit Conference

June 30, 2011 and 2010

We discussed the recommendations contained in this letter during the exit conference held October 11, 2011. The exit conference was attended by the following individuals:

The University of New Mexico Alumni Association

Steve Christ, Past President
Waneta Tuttle, Current President
Karen Abraham, Associate Vice President
D.F. Swan, President Elect
Monica Armenta, Member
Harold Lavender, Member
Kalhie Winograd, Member
Elaine Chew
Roberta Ricci

KPMG LLP

Suzette Longfellow, Senior Manager

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