



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

Financial Statements

June 30, 2012 and 2011

(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
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Official Roster

June 30, 2012

OFFICERS

Waneta Tuttle – President of the Board
Donald “Duffy” Swan – President Elect of the Board
Randy Royster – Treasurer of the Board
Steve Christ – Past President of the Board

COMMITTEE CHAIRS

Waneta Tuttle – Chair, Executive Committee
Jimmy Trujillo – Chair, Finance Committee

EX-OFFICIO MEMBERS

Karen Abraham – Associate Vice President; Secretary of the Board
Gary Gondon
Ryan Lindquist
Jaymie Roybal

DISTINGUISHED LIFETIME MEMBER

Marion Fleck

BOARD MEMBERS

Monica Armenta	Karen Bayless
Penny Beaumont	Amy Boule
Lila Boyden	Steve Christ
Brian Colon	Henry Crumpton
Tom Daulton	Wayne Davenport
Rich Diller	Irvin Harrison
Nancy Herring	James Jimenez
Sarah Kotchian	Harold Lavender
Alice Loy	Matthew Martinez
Cheryl Matherly	Danny Milo
Mary O’Hara	V.B. Price
Gail Rosenblum	Randy Royster
Brian Sanderoff	Kathi Schroeder
Erma Sedillo	Pradeep Shetty
Jane Shuler Gray	Donald “Duffy” Swan
John Thorson	Jimmy Trujillo
Waneta Tuttle	Angie Wilcox
Cody Willard	Kathie Winograd
	Cate Wisdom



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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 (the Association), a component unit of the University of New Mexico, as of and for the years ended June 30, 2012 and 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 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 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, 2012 and 2011, and the changes in its financial position and its cash flows for the years 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 17, 2012 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.



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.

KPMG LLP

October 17, 2012

THE UNIVERSITY OF NEW MEXICO ALUMNI ASSOCIATION

(A Component Unit of the University of New Mexico)

Management's Discussion And Analysis (Unaudited)

June 30, 2012 and 2011

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, 2012 and 2011, 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 position. 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>2012</u>	<u>2011</u>	<u>2010</u>
Current assets	\$ 8,833,493	9,064,597	8,131,686
Current liabilities	8,750	5,640	7,098
Net assets:			
Restricted expendable	32,593	31,903	31,211
Unrestricted	8,792,150	9,027,054	8,093,377
Total liabilities and net assets	<u>\$ 8,833,493</u>	<u>9,064,597</u>	<u>8,131,686</u>
Operating revenue:			
Royalties	322,248	316,184	1,002,223
Alumni programs	132,036	115,432	107,708
Letterman alumni programs	—	32,201	46,707
Merchandise sales	11,098	10,714	12,911
Total operating revenue	<u>465,382</u>	<u>474,531</u>	<u>1,169,549</u>

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June 30, 2012 and 2011

Condensed Financial Information

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating expenses:			
Alumni programs	\$ 609,992	565,681	731,289
Management and general	71,041	82,010	59,146
Total operating expenses	<u>681,033</u>	<u>647,691</u>	<u>790,435</u>
Operating (loss) income	<u>(215,651)</u>	<u>(173,160)</u>	<u>379,114</u>
Non operating revenue (expense):			
Allocations from UNM Foundation	—	—	65,000
Contributions	10,840	11,257	16,927
Investment income net of change in fair value of investments	<u>(29,403)</u>	<u>1,096,272</u>	<u>569,888</u>
Total nonoperating (expense) revenue	<u>(18,563)</u>	<u>1,107,529</u>	<u>651,815</u>
(Decrease) increase in net assets	(234,214)	934,369	1,030,929
Net assets, beginning of year	<u>9,058,957</u>	<u>8,124,588</u>	<u>7,099,216</u>
Net assets, end of year	<u>\$ 8,824,743</u>	<u>9,058,957</u>	<u>8,130,145</u>

Financial Analysis

The Association's total assets at June 30, 2012 of \$8,833,493 exceeded total liabilities of \$8,750 yielding total net assets of \$8,824,743. The total net assets showed a decrease of 2.6% for the 2012 fiscal year. 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 primary factor contributing to the decrease in total net assets in fiscal year 2012 was the performance of the investment portfolio. Liabilities increased from \$5,640 at June 30, 2011 to \$8,750 at June 30, 2012. Liabilities decreased from \$7,098 at June 30, 2010 to \$5,640 at June 30, 2011. The Association does not have capital assets as UNM holds title to all capital assets.

The majority of the Association's assets are investments (78%). In the past year, investments have suffered from the volatility of the financial markets. The net decrease in fair value of the investment portfolio for fiscal year 2012 amounted to (\$183,209) which was a significant decrease over the previous year's net increase of \$886,302 which was a significant improvement from the net increase in 2010 of \$387,461. The current investments realized lower earnings in dividends and interest than in prior years due to historically low rates of return on cash equivalent accounts. Investment income in 2012 was \$153,806, investment income in 2011 was \$209,970, while 2010 was \$182,427. The loss of the original MBNA/BA Credit Card Affinity Program, higher level of operating expenses and the performance of the investment portfolio were the major contributors to the Association's decrease in net assets of \$234,214 for 2012. In comparison, in 2011 there was an increase in net assets of \$934,369 and in 2010 there was an increase in net assets of \$1,030,929.

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Management's Discussion And Analysis (Unaudited)

June 30, 2012 and 2011

Total operating revenues were \$465,382, \$474,531, and \$1,169,549 for the years ended June 30, 2012, 2011, and 2010 respectively. The decrease in 2012 is largely due to the separation of the Letterman alumni program in January 2011 and in 2011 is largely due to lessened credit card royalties. A new Bank of America Affinity agreement was entered into in April of 2011.

Nonoperating (expenses) revenues were (\$18,563), \$1,107,529, and \$651,815 for the years ended June 30, 2012, 2011, and 2010, respectively. The decrease in 2012 from 2011 is largely due to the poor performance of the investment portfolio. The increase in 2011 as compared to 2010 is largely due to improved performance of the investment portfolio offset by the loss of the UNM Foundation allocation of \$65,000 in 2011.

Total operating expenses for fiscal year 2012 were \$681,033 which represented a 5.14% increase in spending from the prior year. The increase is primarily due to Hodgin Hall –Alumni Center renovation costs. Total operating expenses for fiscal year 2011 were \$647,691, which represented an 18% decrease in spending from the prior fiscal year 2010.

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
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Balance Sheets

June 30, 2012 and 2011

Assets	2012	2011
Current assets:		
Cash and cash equivalents	\$ 1,867,986	1,978,152
Investments	6,895,626	6,948,461
Accounts receivable	62,761	118,642
Other assets	7,120	19,342
Total current assets	\$ 8,833,493	9,064,597
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 3,550	5,640
Deferred Revenue	5,200	—
Total current liabilities	8,750	5,640
Net assets:		
Restricted expendable	32,593	31,903
Unrestricted	8,792,150	9,027,054
Total net assets	8,824,743	9,058,957
Total liabilities and net assets	\$ 8,833,493	9,064,597

See accompanying notes to financial statements.

THE UNIVERSITY OF NEW MEXICO ALUMNI ASSOCIATION
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Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2012 and 2011

	2012	2011
Operating revenues:		
Royalties	\$ 322,248	316,184
Alumni programs	132,036	115,432
Letterman alumni programs	—	32,201
Merchandise sales	11,098	10,714
Total operating revenues	465,382	474,531
Operating expenses:		
Alumni programs	609,992	565,681
Management and general	71,041	82,010
Total operating expenses	681,033	647,691
Operating loss	(215,651)	(173,160)
Nonoperating revenues:		
Contributions	10,840	11,257
Investment income	153,806	209,970
Net (decrease) increase in fair value of investments	(183,209)	886,302
Total nonoperating revenues	(18,563)	1,107,529
(Decrease) increase in net assets	(234,214)	934,369
Net assets, beginning of year	9,058,957	8,124,588
Net assets, end of year	\$ 8,824,743	9,058,957

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, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows (used in) operating activities:		
Cash receipts from royalties	\$ 383,884	279,930
Cash receipts from alumni programs	132,036	147,634
Cash receipts from merchandise sales	11,098	10,714
Payments to suppliers	<u>(671,456)</u>	<u>(654,756)</u>
Net cash (used in) operating activities	<u>(144,438)</u>	<u>(216,478)</u>
Cash flows from noncapital financing activities – cash receipts from contributions	<u>10,840</u>	<u>11,257</u>
Cash flows from investing activities:		
Investments purchased	(9,361,091)	(4,248,534)
Investments proceeds	9,230,717	4,187,048
Cash receipts from investment income	<u>153,806</u>	<u>209,970</u>
Net cash from investing activities	<u>23,432</u>	<u>148,484</u>
Net decrease in cash and cash equivalents	(110,166)	(56,737)
Cash and cash equivalents, beginning of year	<u>1,978,152</u>	<u>2,034,889</u>
Cash and cash equivalents, end of year	<u>\$ 1,867,986</u>	<u>1,978,152</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating loss	\$ (215,651)	(173,160)
Adjustments to reconcile operating loss to net cash from operating activities:		
Changes in assets and liabilities:		
Accounts receivable	55,881	(36,745)
Prepaid expenses	11,667	(5,606)
Income taxes receivable	555	491
Accounts payable	(2,090)	(1,458)
Deferred revenue	<u>5,200</u>	<u>—</u>
Net cash (used in) operating activities	<u>\$ (144,438)</u>	<u>(216,478)</u>

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2012 and 2011

(1) Organization

The University of New Mexico Alumni Association (the 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.

The University of New Mexico Alumni Letterman Association (the Letterman Association) was a chapter of the Association operating under the Association's tax-exempt status and federal tax I.D. number during 2011 for the purpose of promoting and enhancing varsity athletics and higher education at the University of New Mexico. The Letterman Association separated from the Association in January 2011. The activities of the Letterman Association prior to the separation in 2011 are included in the accompanying financial statements.

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.

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

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Notes to Financial Statements

June 30, 2012 and 2011

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 are cash on deposit with financial institutions, amounts held as cash within investment portfolios and amounts on deposit with the University of New Mexico and 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.

(e) 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 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 April 1, 2011, the Association entered into a credit card affinity agreement with FIA Card Services, N.A. 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 which 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 under the affinity agreement. The Association has not provided an allowance for their collectability as management considers them to be fully collectable.

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Notes to Financial Statements

June 30, 2012 and 2011

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

(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 maintains cash and cash equivalents in interest-bearing transaction accounts with financial institutions and as such, the accounts are insured by the FDIC 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.

As of June 30, 2012, the Association's deposits were exposed to custodial credit risk as follows:

Insured	\$	250,000
Uninsured		17,424
Reconciling items		(25,457)
		241,967
Deposits recorded in the financial statements		241,967
Funds on deposit with UNM not subject to custodial credit risk		507,169
Money market funds subject to custodial credit risk		1,118,850
		1,867,986
Cash and cash equivalents per financial statements	\$	1,867,986

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

Insured	\$	250,000
Uninsured		199,862
Reconciling items		(44,661)
		405,201
Deposits recorded in the financial statements		405,201
Funds on deposit with UNM not subject to custodial credit risk		402,936
Money market funds subject to custodial credit risk		1,170,015
		1,978,152
Cash and cash equivalents per financial statements	\$	1,978,152

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Notes to Financial Statements

June 30, 2012 and 2011

A detail of the cash accounts at June 30, 2012 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	\$ 47,627	25,457	22,170
University of New Mexico	FRS Expenditures	Cash	7,586	—	7,586
University of New Mexico	Alumni Public Agency Business investment	Cash	499,583	—	499,583
Bank of America	Savings	Cash	219,797	—	219,797
Bank of America	BA	Money Market	922,933	—	922,933
Morgan Stanley Smith Barney	Henry and Harvey	Money Market	(240)	—	(240)
Genworth Financial Trust	Avatar	Money Market	14,635	—	14,635
Genworth Financial Trust	SSgA	Money Market	33,434	—	33,434
TD Ameritrade	New Frontier	Money Market	21,633	—	21,633
TD Ameritrade	Callan	Money Market	123,173	—	123,173
TD Ameritrade	PIMCO	Money Market	3,282	—	3,282
			<u>\$ 1,893,443</u>	<u>25,457</u>	<u>1,867,986</u>

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	Savings	Cash	389,215	—	389,215
Bank of America	BA Business investment	Money Market	919,130	—	919,130
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>

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Notes to Financial Statements

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(4) Investments

Investments are held by the Association as well as at the UNM Foundation in the Consolidated Investment Fund (CIF). Investments held in the CIF are not recorded in the Association's financial statements. 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 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 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. 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, 2012 and 2011, and the Association's exposure to custodial credit risk is as follows:

	2012
Custodial credit risk:	
Domestic corporate stock	\$ 2,160,996
Total securities held by custodians	2,160,996
Investments not subject to custodial credit risk:	
Mutual funds	3,625,342
Certificate of deposit	1,109,288
	\$ 6,895,626
	2011
Custodial credit risk:	
Domestic corporate stock	\$ 3,299,671
Total securities held by custodians	3,299,671
Investments not subject to custodial credit risk:	
Mutual funds	2,507,749
Certificate of deposit	1,111,288
Other	29,753
	\$ 6,948,461

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Notes to Financial Statements

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(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. 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	0%	35%	50%
Small Medium Cap	0%	15%	25%
International/Global	0%	20%	30%
Fixed Income	0%	30%	60%
Cash	0%	0%	100%
Real Estate	0%	0%	10%
Venture Capital Funds	0%	0%	5%

As of June 30, 2012 and 2011, the Association did not have any investments in one issuer that represented more than 5% of total investments, except as noted below:

	<u>2012</u>	<u>2011</u>
Certificates of deposit with Bank of the West	\$ 1,109,288	1,104,731

(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.

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A summary of the investments held by the Association and the respective maturities at June 30, 2012 and the exposure to interest rate risk is as follows:

	Fair value	Maturity
Exposed to interest rate risk:		
Bank of the West Certificates of deposit	\$ 294,761	07/21/12
Bank of the West Certificates of deposit	285,466	11/15/12
Bank of the West Certificates of deposit	273,988	12/29/12
Bank of the West Certificates of deposit	255,073	11/03/12
	1,109,288	
Not exposed to interest rate risk:		
Corporate stock	2,160,996	
Mutual funds	3,625,342	
Total investments	\$ 6,895,626	

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:

	Fair value	Maturity
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
	1,111,288	
Not exposed to interest rate risk:		
Corporate stock	3,299,671	
Mutual funds	2,507,749	
Other	29,753	
Total investments	\$ 6,948,461	

(d) 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, however, none of the Association's investments meet the criteria for disclosure.

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

Notes to Financial Statements

June 30, 2012 and 2011

(e) Foreign Currency Risk

The Association did not hold any investments that were subject to foreign currency risk at June 30, 2012 or 2011.

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, 2012 and 2011, the Association held approximately \$649,528 and \$628,022 of investments in the CIF, respectively. These funds are not reported on the balance sheets of the Association but are disclosed in note 7 of the financial statements.

During the years ended June 30, 2012 and 2011, the Foundation experienced realized and unrealized (losses) gains on investments held as outlined below:

	2012	2011
Realized	\$ 295,668	331,060
Unrealized	(478,877)	555,242
	\$ (183,209)	886,302

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, 2012 is included below:

Name of depository	Account name	Account type	Account balance
TD Ameritrade	Callan	Domestic Corporate Stock and Mutual Funds	\$ 2,165,020
TD Ameritrade	New Frontier	Mutual Funds	626,357
TD Ameritrade	PIMCO	Mutual Funds	973,783
Genworth Financial Trust	Avatar	Mutual Funds	996,745
Genworth Financial Trust	SSgA	Mutual Funds	992,805
Morgan Stanley	Scholarship	Mutual Funds	31,628
Bank of the West	Certificates of Deposit	Certificate of Deposit	1,109,288
			\$ 6,895,626

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

Notes to Financial Statements

June 30, 2012 and 2011

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

<u>Name of depository</u>	<u>Account name</u>	<u>Account type</u>	<u>Account balance</u>
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
			<u>\$ 6,948,461</u>

(5) Related Party Transactions

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

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, 2012 and 2011, the Association had unrestricted balances on deposit with the University of New Mexico Foundation of \$7,586 and \$(2,923), respectively.

(6) Restricted Expendable Net Assets

Restricted net assets are available for the following purposes:

	<u>2012</u>	<u>2011</u>
Scholarships	\$ 32,593	31,903

(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 \$649,528 and \$628,022 as of June 30, 2012 and 2011, respectively. Income from these funds in the amount of \$(7,961) and \$114,282 was expendable for designated programs, as stipulated by the donor as of June 30, 2012 and 2011, respectively.

THE UNIVERSITY OF NEW MEXICO ALUMNI ASSOCIATION
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Notes to Financial Statements

June 30, 2012 and 2011

(8) 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.



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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 (the Association) a component unit of the University of New Mexico as of and for the year ended June 30, 2012 and have issued our report thereon dated October 17, 2012. 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

Management of the Association is responsible for establishing and maintaining effective 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 17, 2012

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

Schedule of Findings and Responses

June 30, 2012 and 2011

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, 2012 and 2011

We discussed the recommendations contained in this letter during the exit conference held October 11, 2012. The exit conference was attended by the following individuals:

The University of New Mexico Alumni Association

Karen Abraham, Associate Vice President

D.F. Swan, Current President

Randy Royster, President Elect

Elaine Chew

KPMG LLP

Cynthia Reinhart, Partner

Helen Mann, Senior Manager

Pepper Piper, Senior Associate

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