



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

Financial Statements

June 30, 2013 and 2012

(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, 2013

OFFICERS

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

COMMITTEE CHAIRS

Donald “Duffy” Swan – Chair, Executive Committee
Jimmy Trujillo – Chair, Finance Committee

EX-OFFICIO MEMBERS

Karen Abraham – Executive Director, Alumni Association
Gary Gordon – Chairman of the Board, University of New Mexico Foundation
John Gayer – President, Young Alumni Chapter
Caroline Muriada – President, Associated Students of the University of New Mexico

DISTINGUISHED LIFETIME MEMBER

Marion Fleck

BOARD MEMBERS

Monica Armenta	Karen Bayless
Penny Beaumont	Sandra Begay-Campbell
Amy Boule	Steve Cheist
Brian Colon	Henry Crumpton
Tom Daulton	Wayne Davenport
Rich Diller	Bill Dolan
Irvin Harrison	Nancy Herring
James Jimenez	Sarah Kotchian
Harold Lavender	Ryan Lindquist
Matthew Martinez	Dewayne Matthews
Danny Milo	Ryan Montoya
Karen Moses	Mary O’Hara
V.B. Price	Henry Rivera
Bob Rosebrough	Gail Rosenblum
Randy Royster	Brian Sanderoff
Kathi Schroeder	Jane Shuler Gray
Donald “Duffy” Swan	John Thorson
Waneta Tuttle	Angie Wilcox
Cody Willard	Kathie Winograd
Cate Wisdom	



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Two Park Square, Suite 700
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Albuquerque, NM 87110-8179

Independent Auditors' Report

The Board of Directors
University of New Mexico Alumni Association
and
Mr. Hector H. Balderas
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 balance sheets as of June 30, 2013 and 2012, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 Association as of June 30, 2013 and 2012, and the changes in its net position and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the *management's discussion and analysis* on pages 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 October 14, 2013 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 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.

KPMG LLP

Albuquerque, New Mexico
October 14, 2013

THE UNIVERSITY OF NEW MEXICO ALUMNI ASSOCIATION

(A Component Unit of the University of New Mexico)

Management's Discussion and Analysis (Unaudited)

June 30, 2013 and 2012

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, 2013 and 2012, and the following, which comprise the basic financial statements:

1. Balance Sheets
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 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 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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Current assets	\$ 8,571,977	8,833,493	9,064,597
Current liabilities	\$ 1,831	8,750	5,640
Net position:			
Restricted	—	32,593	31,903
Unrestricted	8,570,146	8,792,150	9,027,054
Total liabilities and net position	\$ 8,571,977	8,833,493	9,064,597
Operating revenue:			
Royalties	\$ 337,663	322,248	316,184
Alumni programs	144,125	132,036	115,432
Letterman alumni programs	—	—	32,201
Merchandise sales	18,676	11,098	10,714
Total operating revenue	500,464	465,382	474,531

THE UNIVERSITY OF NEW MEXICO ALUMNI ASSOCIATION

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Management's Discussion and Analysis (Unaudited)

June 30, 2013 and 2012

Condensed Financial Information

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating expenses:			
Alumni programs	\$ 1,261,241	609,992	565,681
Management and general	61,688	71,041	82,010
Total operating expenses	<u>1,322,929</u>	<u>681,033</u>	<u>647,691</u>
Operating loss	<u>(822,465)</u>	<u>(215,651)</u>	<u>(173,160)</u>
Nonoperating revenues (expenses), net:			
Contributions	15,863	10,840	11,257
Investment income, net of change in fair value of investments	584,598	(29,403)	1,096,272
Transfer of restricted funds to UNM Foundation	<u>(32,593)</u>	<u>—</u>	<u>—</u>
Total nonoperating revenue (expenses), net	<u>567,868</u>	<u>(18,563)</u>	<u>1,107,529</u>
(Decrease) increase in net position	<u>(254,597)</u>	<u>(234,214)</u>	<u>934,369</u>
Net position, beginning of year	<u>8,824,743</u>	<u>9,058,957</u>	<u>8,124,588</u>
Net position, end of year	<u>\$ 8,570,146</u>	<u>8,824,743</u>	<u>9,058,957</u>

Financial Analysis

The Association's total assets at June 30, 2013 of \$8,571,977 exceeded total liabilities of \$1,831 yielding total net position of \$8,570,146. The total net position showed a decrease of 3% for the 2013 fiscal year. The primary factor contributing to the decrease in total net position in fiscal year 2013 was the onetime expenditures for the construction of the Hodgin Hall "U" and the Alumni Chapel Garden projects. The Association's total assets at June 30, 2012 of \$8,833,493 exceeded total liabilities of \$8,750 yielding total net position of \$8,824,743. The total net position showed a decrease of 2.6% for the 2012 fiscal year. Liabilities decreased from \$8,750 at June 30, 2012 to \$1,831 at June 30, 2013. Liabilities increased from \$5,640 at June 30, 2011 to \$8,750 at June 30, 2012. The Association does not have capital assets as the University of New Mexico (UNM) holds title to all capital assets.

THE UNIVERSITY OF NEW MEXICO ALUMNI ASSOCIATION

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Management's Discussion and Analysis (Unaudited)

June 30, 2013 and 2012

The majority of the Association's assets are investments (86%). In the past year, investment portfolio has made an impressive recovery despite the volatility of the financial markets. The net increase in fair value of the investment portfolio for fiscal year 2013 amounted to \$390,733, which was a significant increase over the previous year's net decrease of \$183,209, which was a significant decrease from the net increase in 2011 of \$886,302. 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 2013 was \$193,865, investment income in 2012 was \$153,806, while 2011 was \$209,970. The loss of the original MBNA/BA Credit Card Affinity Program, higher level of operating expenses and special onetime expenditures for the Hodgin Hall "U" and Alumni Chapel Garden projects were the major contributors to the Association's decrease in net position of \$254,597 for 2013. In comparison, in 2012, there was a decrease in net position of \$234,214 and in 2011, there was an increase in net position of \$934,369.

Total operating revenues were \$500,464, \$465,382, and \$474,531 for the years ended June 30, 2013, 2012, and 2011, respectively. The increase in 2013 is largely due to the success of the Affinity NM Licenses Plates and Insurance programs. The decrease in 2012 is largely due to the separation of the Alumni Lettermen Program and in 2011 the lessened credit card royalties. A new agreement was entered into with FIA Card Services, N.A. in April of 2011, which was less lucrative than the prior agreement.

Nonoperating revenues (expenses) were \$567,868, \$(18,563), and \$1,107,529 for the years ended June 30, 2013, 2012, and 2011, respectively. The increase in 2013 from 2012 is largely due to the improved performance of the investment portfolio. The decrease in 2012 as compared to 2011 is largely due to weak performance of the investment portfolio and by the loss of the UNM Foundation annual allocation of \$65,000 in 2011.

Total operating expenses for fiscal year 2013 were \$1,322,929, which represented a 94% increase in spending from the prior year. The increase is primarily due to Hodgin Hall "U" –Alumni Center and Alumni Chapel Garden renovation costs. Total operating expenses for fiscal year 2012 were \$681,033, which represented a 5% increase in spending from the prior fiscal year 2011. A onetime transfer of \$32,593 from Morgan Stanley to UNM Foundation represented Harvey and Henry Scholarships to be endowed for financial aid.

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)

Balance Sheets

June 30, 2013 and 2012

Assets	2013	2012
Current assets:		
Cash and cash equivalents	\$ 1,115,022	1,867,986
Investments	7,377,913	6,895,626
Accounts receivable	55,749	62,761
Other assets	23,293	7,120
Total current assets	\$ 8,571,977	8,833,493
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 1,831	3,550
Deferred revenue	—	5,200
Total current liabilities	1,831	8,750
Net position:		
Restricted	—	32,593
Unrestricted	8,570,146	8,792,150
Total net position	8,570,146	8,824,743
Total liabilities and net position	\$ 8,571,977	8,833,493

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 Position

Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Royalties	\$ 337,663	322,248
Alumni programs	144,125	132,036
Merchandise sales	18,676	11,098
Total operating revenues	<u>500,464</u>	<u>465,382</u>
Operating expenses:		
Alumni programs	1,261,241	609,992
Management and general	61,688	71,041
Total operating expenses	<u>1,322,929</u>	<u>681,033</u>
Operating loss	<u>(822,465)</u>	<u>(215,651)</u>
Nonoperating revenues (expenses), net:		
Contributions	15,863	10,840
Investment income	193,865	153,806
Net increase (decrease) in fair value of investments	390,733	(183,209)
Transfer of restricted funds to UNM Foundation	(32,593)	—
Total nonoperating revenues (expenses), net	<u>567,868</u>	<u>(18,563)</u>
Decrease in net position	<u>(254,597)</u>	<u>(234,214)</u>
Net position, beginning of year	<u>8,824,743</u>	<u>9,058,957</u>
Net position, end of year	<u>\$ 8,570,146</u>	<u>8,824,743</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, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Cash receipts from royalties	\$ 359,307	383,884
Cash receipts from alumni programs	108,119	132,036
Cash receipts from merchandise sales	18,676	11,098
Payments to suppliers	(1,324,647)	(671,456)
Net cash flows from operating activities	(838,545)	(144,438)
Cash flows from noncapital financing activities:		
Cash receipts from contributions	15,863	10,840
Transfer of restricted funds to UNM Foundation	(32,593)	—
Net cash flows from financing activities	(16,730)	10,840
Cash flows from investing activities:		
Investments purchased	(2,808,882)	(9,361,091)
Investments proceeds	2,717,328	9,230,717
Cash receipts from investment income	193,865	153,806
Net cash flows from investing activities	102,311	23,432
Net decrease in cash and cash equivalents	(752,964)	(110,166)
Cash and cash equivalents, beginning of year	1,867,986	1,978,152
Cash and cash equivalents, end of year	\$ 1,115,022	1,867,986
Reconciliation of operating income to net cash flows from operating activities:		
Operating loss	\$ (822,465)	(215,651)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Changes in assets and liabilities:		
Accounts receivable	7,012	55,881
Other assets	(16,173)	12,222
Accounts payable	(1,719)	(2,090)
Deferred revenue	(5,200)	5,200
Net cash flows from operating activities	\$ (838,545)	(144,438)

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2013 and 2012

(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 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 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 (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 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.

In fiscal year 2013, the Association adopted GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63), which establishes a new statement of net position format that reports separately all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires deferred outflows of resources and deferred inflows of resources to be reported separately from assets and liabilities. The financial reporting impact resulting from the implementation of GASB 63 in the Association's financial statements was the renaming of "net assets" to "net position," including changing the name of the financial statement from "statement of revenues, expenses and changes in net assets" to "statement of revenues, expenses, and changes in net position."

(b) *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.

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Notes to Financial Statements

June 30, 2013 and 2012

Restricted net position represents those operating funds on which external restrictions have been imposed that limit the purposes for which such funds can be used. Restricted expendable net position is 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 are amounts 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 position.

(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 position until the restriction is accomplished, at which time, the restricted position is reclassified to unrestricted net position. Promises to give (pledges) are recorded at net realizable value.

THE UNIVERSITY OF NEW MEXICO ALUMNI ASSOCIATION
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Notes to Financial Statements

June 30, 2013 and 2012

(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.

(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 position.

(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 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, 2013, the Association's deposits were exposed to custodial credit risk as follows:

Insured	\$	90,227
Uninsured		—
Reconciling items		<u>(24,494)</u>
Deposits recorded in the financial statements		65,733
Funds on deposit with UNM not subject to custodial credit risk		123,813
Money market funds not subject to custodial credit risk		360,117
Money market funds subject to custodial credit risk		<u>565,359</u>
Cash and cash equivalents per financial statements	\$	<u><u>1,115,022</u></u>

THE UNIVERSITY OF NEW MEXICO ALUMNI ASSOCIATION
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Notes to Financial Statements

June 30, 2013 and 2012

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		
Funds on deposit with UNM not subject to custodial credit risk		507,169
Money market funds not subject to custodial credit risk		195,917
Money market funds subject to custodial credit risk		922,933
		\$ 1,867,986

A detail of the cash accounts at June 30, 2013 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	\$ 37,653	24,494	13,159
University of New Mexico	FRS Expenditures	Cash	28,548	—	28,548
	Alumni Public Agency Business investment	Cash	95,265	—	95,265
Bank of America	Savings	Cash	52,574	—	52,574
Bank of America	BA	Money Market	725,132	—	725,132
Genworth Financial Trust	Avatar	Money Market	13,365	—	13,365
Genworth Financial Trust	SSgA	Money Market	34,559	—	34,559
TD Ameritrade	New Frontier	Money Market	29,986	—	29,986
TD Ameritrade	Callan	Money Market	112,546	—	112,546
TD Ameritrade	PIMCO	Money Market	9,888	—	9,888
			\$ 1,139,516	24,494	1,115,022

THE UNIVERSITY OF NEW MEXICO ALUMNI ASSOCIATION
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Notes to Financial Statements

June 30, 2013 and 2012

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 University of New Mexico	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>

(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.

THE UNIVERSITY OF NEW MEXICO ALUMNI ASSOCIATION
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Notes to Financial Statements

June 30, 2013 and 2012

A summary of the investments held by the Association at June 30, 2013 and 2012, and the Association's exposure to custodial credit risk is as follows:

	2013
Custodial credit risk:	
Corporate stock	\$ 2,162,006
Certificate of deposit	1,113,230
Total investments held by custodians	3,275,236
Investments not subject to custodial credit risk:	
Mutual funds	4,102,677
	\$ 7,377,913
2012	
Custodial credit risk:	
Corporate stock	\$ 2,160,996
Certificate of deposit	1,109,288
Total investments held by custodians	3,270,284
Investments not subject to custodial credit risk:	
Mutual funds	3,625,342
	\$ 6,895,626

THE UNIVERSITY OF NEW MEXICO ALUMNI ASSOCIATION
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Notes to Financial Statements

June 30, 2013 and 2012

(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	—%	35%	50%
Small medium cap	—	15	25
International/global	—	20	30
Fixed income	—	30	60
Cash	—	—	100
Real estate	—	—	10
Venture capital funds	—	—	5

As of June 30, 2013 and 2012, the Association did not have any investments in one issuer that represented more than 5% of total investments, except as noted below:

	<u>2013</u>	<u>2012</u>
Certificates of deposit with Bank of the West	\$ 1,113,230	1,109,288
PIMCO Total Return II Institutional	986,127	992,805
SPDR S&P 500 ETF	391,425	371,294

(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.

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

Notes to Financial Statements

June 30, 2013 and 2012

A summary of the investments held by the Association and the respective maturities at June 30, 2013 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	\$ 296,116	07/21/13
Bank of the West Certificates of deposit	255,903	11/03/13
Bank of the West Certificates of deposit	286,405	11/15/13
Bank of the West Certificates of deposit	274,806	03/29/14
Mutual funds – fixed income	1,010,854	Not applicable
	2,124,084	
Not exposed to interest rate risk:		
Corporate stock	2,162,006	
Mutual funds – other than fixed income	3,091,823	
Total investments	\$ 7,377,913	

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
Mutual funds – fixed income	255,073	Not applicable
	1,364,361	
Not exposed to interest rate risk:		
Corporate stock	2,160,996	
Mutual funds – other than fixed income	3,370,269	
Total investments	\$ 6,895,626	

(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.

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Notes to Financial Statements

June 30, 2013 and 2012

(e) Foreign Currency Risk

The Association did not hold any investments that were subject to foreign currency risk at June 30, 2013 or 2012.

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, 2013 and 2012, the Association held approximately \$702,412 and \$640,630 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, 2013 and 2012, the Foundation experienced realized and unrealized gains (losses) on investments held as outlined below:

	2013	2012
Realized	\$ 170,538	295,668
Unrealized	220,195	(478,877)
	\$ 390,733	(183,209)

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 position.

A detail of the investment accounts at June 30, 2013 is included below:

Name of depository	Account name	Account type	Account balance
TD Ameritrade	Callan	Corporate Stock and Mutual Funds	\$ 2,501,760
TD Ameritrade	New Frontier	Mutual Funds	1,074,565
TD Ameritrade	PIMCO	Mutual Funds	986,127
Genworth Financial Trust	Avatar	Mutual Funds	620,348
Genworth Financial Trust	SSgA	Mutual Funds	1,081,883
Morgan Stanley	Scholarship	Mutual Funds	—
Bank of the West	Certificates of Deposit	Certificate of Deposit	1,113,230
			\$ 7,377,913

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Notes to Financial Statements

June 30, 2013 and 2012

A detail of the investment accounts at June 30, 2012 is included below:

<u>Name of depository</u>	<u>Account name</u>	<u>Account type</u>	<u>Account balance</u>
TD Ameritrade	Callan	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
			<u>\$ 6,895,626</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, 2013 and 2012, the Association had unrestricted balances on deposit with the University of New Mexico Foundation of \$28,548 and \$7,586, respectively.

(6) Restricted Net Position

During the year ended June 30, 2013, the Association has transferred all of the restricted funds previously held to the University of New Mexico Foundation.

(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 \$702,412 and \$640,630 as of June 30, 2013 and 2012, respectively. Income from these funds in the amount of \$59,478 and \$(7,961) was expendable for designated programs, as stipulated by the donor as of June 30, 2013 and 2012, respectively.

THE UNIVERSITY OF NEW MEXICO ALUMNI ASSOCIATION
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Notes to Financial Statements

June 30, 2013 and 2012

(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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Albuquerque, NM 87110-8179

**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, 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), which comprise the balance sheet as of June 30, 2013, 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 October 14, 2013.

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.

KPMG LLP

Albuquerque, New Mexico
October 14, 2013

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

Schedule of Findings and Responses

June 30, 2013 and 2012

Findings – Financial Statement Audit

Prior Year Findings

None

Current Year Findings

None

THE UNIVERSITY OF NEW MEXICO ALUMNI ASSOCIATION
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Exit Conference

June 30, 2013 and 2012

We discussed the recommendations contained in this letter during the exit conference held October 8, 2013. The exit conference was attended by the following individuals:

The University of New Mexico Alumni Association

Karen Abraham, Executive Director

D.F. Swan, Past President

Randy Royster, Current President

Elaine Chew

Tom Daulton, Board of Directors

Ann Rhodes, Board of Directors

Kathie Winograd, Board of Directors

Harold Lavendar, Board of Directors

Brian Colon, Board of Directors

KPMG LLP

Helen Mann, Senior Manager

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