



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

Financial Statements

June 30, 2014 and 2013

(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, 2014

**OFFICERS**

Randy Royster – President of the Board  
Brian Colon – President Elect of the Board  
Tom Daulton – Treasurer of the Board  
Donald “Duffy” Swan – Past President of the Board

**COMMITTEE CHAIRS**

Randy Royster – Chair, Executive Committee  
Bill Dolan – Chair, Finance Committee

**EX-OFFICIO MEMBERS**

Karen Abraham – Executive Director, Alumni Association  
Carl Alongi – Chairman of the Board, University of New Mexico Foundation  
Lauren Gayer – President, Young Alumni Chapter  
Isaac Romero – President, Associated Students of the University of New Mexico

**DISTINGUISHED LIFETIME MEMBER**

Marion Fleck

**BOARD MEMBERS**

Monica Armenta	Brian Burnett
Penny Beaumont	Sandra Begay-Campbell
Amy Boule	Dave Hovda
Brian Colon	Henry Crumpton
Tom Daulton	Wayne Davenport
Eric Pillmore	Bill Dolan
Ann Rhoades	Nancy Herring
Jacob Wellman	Sarah Kotchian
Harold Lavender	Ryan Lindquist
Danny Milo	Ryan Montoya
Karen Moses	Mary O’Hara
V.B. Price	Henry Rivera
Randy Royster	Gail Rosenblum
Kathi Schroeder	Brian Sanderoff
Donald “Duffy” Swan	Angie Wilcox
Cody Willard	Kathie Winograd
Cate Wisdom	



**KPMG LLP**  
Two Park Square, Suite 700  
6565 Americas Parkway, N.E.  
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, 2014 and 2013, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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, 2014 and 2013, 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 September 15, 2014 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  
September 15, 2014

# THE UNIVERSITY OF NEW MEXICO ALUMNI ASSOCIATION

(A Component Unit of the University of New Mexico)

Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

## 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, 2014 and 2013, and the following, which comprise the basic financial statements as listed in the table of contents:

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>2014</u>	<u>2013</u>	<u>2012</u>
Current assets	\$ 9,410,630	8,571,977	8,833,493
Current liabilities	\$ 18,783	1,831	8,750
Net position:			
Restricted	—	—	32,593
Unrestricted	9,391,847	8,570,146	8,792,150
Total liabilities and net position	<u>\$ 9,410,630</u>	<u>8,571,977</u>	<u>8,833,493</u>
Operating revenue:			
Royalties	\$ 328,583	337,663	322,248
Alumni programs	123,152	144,125	132,036
Merchandise sales	9,738	18,676	11,098
Total operating revenue	<u>461,473</u>	<u>500,464</u>	<u>465,382</u>

**THE UNIVERSITY OF NEW MEXICO ALUMNI ASSOCIATION**

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June 30, 2014 and 2013

	<b>Condensed Financial Information</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Operating expenses:			
Alumni programs	\$ 656,013	1,261,241	609,992
Management and general	91,907	61,688	71,041
Total operating expenses	747,920	1,322,929	681,033
Operating loss	(286,447)	(822,465)	(215,651)
Nonoperating revenues (expenses), net:			
Contributions	15,758	15,863	10,840
Investment income, net of change in fair value of investments	1,092,390	584,598	(29,403)
Transfer of restricted funds to UNM Foundation	—	(32,593)	—
Total nonoperating revenue (expenses), net	1,108,148	567,868	(18,563)
(Decrease) increase in net position	821,701	(254,597)	(234,214)
Net position, beginning of year	8,570,146	8,824,743	9,058,957
Net position, end of year	\$ 9,391,847	8,570,146	8,824,743

**Financial Analysis**

The Association's total assets at June 30, 2014 of \$9,410,630 exceeded total liabilities of \$18,783 yielding total net position of \$9,391,847. The total net position showed an increase of 10% for the 2014 fiscal year. The primary factor contributing to the increase in total net position in fiscal year 2014 was the performance of the investment portfolio, which yielded a year-to-date growth of 15.67%. 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. Liabilities increased from \$1,831 at June 30, 2013 to \$18,783 at June 30, 2014. Liabilities decreased from \$8,750 at June 30, 2012 to \$1,831 at June 30, 2013. The Association does not have capital assets as the University of New Mexico (UNM) holds title to all capital assets.

The majority of the Association's assets are investments (88%). In the past year, investment portfolio has continued to make an impressive recovery despite the volatility of the financial markets. The net increase in fair value of the investment portfolio for fiscal year 2014 amounted to \$917,234, which was a significant increase over the previous year's net increase of \$390,733, which was a significant increase from the net decrease in 2012 of \$183,209. 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 2014 was \$175,156, investment income in 2013 was \$193,865, while 2012 was \$153,806. The major contributing factor to the Association's increase in net position of \$821,701 for 2014 was the investment portfolio's rate of return of 15.67%. In comparison, in 2013, there was a decrease in net position of \$254,597 and in 2012, there was a decrease in net position of \$234,214.

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Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

Total operating revenues were \$461,473, \$500,464, and \$465,382 for the years ended June 30, 2014, 2013, and 2012, respectively. The decrease in 2014 is largely due to the decline of merchandise sales and lower receipts from the Alumni Tours program and Collegiate Licensing royalties. 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. Nonoperating revenues (expenses) were \$1,108,148, \$567,868, and \$(18,563) for the years ended June 30, 2014, 2013, and 2012, respectively. The increase in 2014 from 2013 and in 2013 from 2012 is largely due to the improved performance of the investment portfolio in this strengthening economy.

Total operating expenses for fiscal year 2014 were \$747,920, which represented a 43% decrease in spending from the prior year. The decrease is primarily due to Hodgin Hall "U" –Alumni Center and Alumni Chapel Garden renovation costs that occurred in 2013. Total operating expenses for fiscal year 2013 were \$1,322,929, which represented a 94% increase in spending from the prior fiscal year 2012.

**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, 2014 and 2013

<b>Assets</b>	<b>2014</b>	<b>2013</b>
	<u>          </u>	<u>          </u>
Current assets:		
Cash and cash equivalents	\$ 1,039,797	1,115,022
Investments	8,324,230	7,377,913
Accounts receivable	32,063	55,749
Other assets	14,540	23,293
	<u>          </u>	<u>          </u>
Total current assets	\$ 9,410,630	8,571,977
	<u>          </u>	<u>          </u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 18,783	1,831
	<u>          </u>	<u>          </u>
Total current liabilities	18,783	1,831
	<u>          </u>	<u>          </u>
Net position:		
Unrestricted	9,391,847	8,570,146
	<u>          </u>	<u>          </u>
Total net position	9,391,847	8,570,146
	<u>          </u>	<u>          </u>
Total liabilities and net position	\$ 9,410,630	8,571,977
	<u>          </u>	<u>          </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 Position

Years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating revenues:		
Royalties	\$ 328,583	337,663
Alumni programs	123,152	144,125
Merchandise sales	9,738	18,676
Total operating revenues	<u>461,473</u>	<u>500,464</u>
Operating expenses:		
Alumni programs	656,013	1,261,241
Management and general	91,907	61,688
Total operating expenses	<u>747,920</u>	<u>1,322,929</u>
Operating loss	<u>(286,447)</u>	<u>(822,465)</u>
Nonoperating revenues (expenses), net:		
Contributions	15,758	15,863
Investment income	175,156	193,865
Net increase in fair value of investments	917,234	390,733
Transfer of restricted funds to UNM Foundation	—	(32,593)
Total nonoperating revenues, net	<u>1,108,148</u>	<u>567,868</u>
Increase (decrease) in net position	821,701	(254,597)
Net position, beginning of year	<u>8,570,146</u>	<u>8,824,743</u>
Net position, end of year	<u>\$ 9,391,847</u>	<u>8,570,146</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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Cash receipts from royalties	\$ 343,304	359,307
Cash receipts from alumni programs	140,867	108,119
Cash receipts from merchandise sales	9,738	18,676
Payments to suppliers	<u>(730,966)</u>	<u>(1,324,647)</u>
Net cash flows from noncapital operating activities	<u>(237,057)</u>	<u>(838,545)</u>
Cash flows from noncapital financing activities:		
Cash receipts from contributions	15,758	15,863
Transfer of restricted funds to UNM Foundation	<u>—</u>	<u>(32,593)</u>
Net cash flows from financing activities	<u>15,758</u>	<u>(16,730)</u>
Cash flows from investing activities:		
Investments purchased	(4,370,187)	(2,808,882)
Proceeds from sale of investments	4,341,105	2,717,328
Interest and dividends received	<u>175,156</u>	<u>193,865</u>
Net cash flows from investing activities	<u>146,074</u>	<u>102,311</u>
Net decrease in cash and cash equivalents	<u>(75,225)</u>	<u>(752,964)</u>
Cash and cash equivalents, beginning of year	<u>1,115,022</u>	<u>1,867,986</u>
Cash and cash equivalents, end of year	<u>\$ 1,039,797</u>	<u>1,115,022</u>
Reconciliation of operating income to net cash flows from operating activities:		
Operating loss	\$ (286,447)	(822,465)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Changes in assets and liabilities:		
Accounts receivable	23,686	7,012
Other assets	8,752	(16,173)
Accounts payable	16,952	(1,719)
Unearned Revenue	<u>—</u>	<u>(5,200)</u>
Net cash flows from operating activities	<u>\$ (237,057)</u>	<u>(838,545)</u>

See accompanying notes to financial statements.

**THE UNIVERSITY OF NEW MEXICO ALUMNI ASSOCIATION**  
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Notes to Financial Statements

June 30, 2014 and 2013

**(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.

**(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.

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. The Association did not have a restricted net position during 2014.

**(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

**THE UNIVERSITY OF NEW MEXICO ALUMNI ASSOCIATION**  
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Notes to Financial Statements

June 30, 2014 and 2013

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 initial term of the agreement between the Association and FIA Card Services began on April 1, 2011 and ended on March 31, 2014. Beginning April 1, 2014 the agreement was automatically renewed for a one-year period, ending on March 31, 2015. The association will receive payments every quarter and 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.

**(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.

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Notes to Financial Statements

June 30, 2014 and 2013

(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, 2014, the Association's deposits were exposed to custodial credit risk as follows:

Insured	\$	125,026
Uninsured		—
Reconciling items		(10,902)
		114,124
Deposits recorded in the financial statements		114,124
Funds on deposit with UNM not subject to custodial credit risk		127,562
Money market funds not subject to custodial credit risk		397,303
Money market funds subject to custodial credit risk		400,808
		1,039,797
Cash and cash equivalents per financial statements	\$	1,039,797

As of June 30, 2013, the Association's deposits were exposed to custodial credit risk as follows:

Insured	\$	90,227
Uninsured		—
Reconciling items		(24,494)
		65,733
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		565,359
		1,115,022
Cash and cash equivalents per financial statements	\$	1,115,022

**THE UNIVERSITY OF NEW MEXICO ALUMNI ASSOCIATION**  
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Notes to Financial Statements

June 30, 2014 and 2013

A detail of the cash accounts at June 30, 2014 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	\$ 34,791	10,902	23,889
University of New Mexico	FRS Expenditures	Cash	43,976	—	43,976
University of New Mexico	Alumni Public Agency Business investment	Cash	83,586	—	83,586
Bank of America	Savings	Cash	90,235	—	90,235
Bank of America	BA	Money Market	525,782	—	525,782
TD Ameritrade	Blackrock	Money Market	35,058	—	35,058
AssetMark	SSgA	Money Market	27,683	—	27,683
TD Ameritrade	New Frontier	Money Market	33,019	—	33,019
TD Ameritrade	Callan	Money Market	155,997	—	155,997
TD Ameritrade	PIMCO	Money Market	20,572	—	20,572
			<u>\$ 1,050,699</u>	<u>10,902</u>	<u>1,039,797</u>

A detail of the cash accounts at June 30, 2013 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	\$ 37,653	24,494	13,159
University of New Mexico	FRS Expenditures	Cash	28,548	—	28,548
University of New Mexico	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
			<u>\$ 1,139,516</u>	<u>24,494</u>	<u>1,115,022</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

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Notes to Financial Statements

June 30, 2014 and 2013

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, 2014 and 2013, and the Association's exposure to custodial credit risk is as follows:

	<b>2014</b>
Custodial credit risk:	
Corporate stock	\$ 2,528,816
Certificate of deposit	1,115,756
Total investments held by custodians	3,644,572
Investments not subject to custodial credit risk:	
Mutual Funds	4,679,658
	\$ 8,324,230
	<b>2013</b>
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

**(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



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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, 2014 and 2013, the Association did not have any investments in one issuer that represented more than 5% of total investments, except as noted below:

	<u>2014</u>	<u>2013</u>
Certificates of deposit with Bank of the West	\$ 1,115,756	1,113,230
PIMCO Total Return II Institutional	1,010,281	986,127
Blackrock Multi Asset Inc Portfolio A	671,636	—
SPDR S&P 500 ETF	526,095	391,425

(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, 2014 and 2013 and the exposure to interest rate risk is as follows:

	<b>2014</b>	<b>Maturity</b>
	<b>Fair value</b>	
Exposed to interest rate risk:		
Bank of the West Certificates of deposit	\$ 296,696	08/21/15
Bank of the West Certificates of deposit	256,555	11/03/14
Bank of the West Certificates of deposit	287,085	11/15/14
Bank of the West Certificates of deposit	275,420	12/29/14
Mutual funds – fixed income	656,725	Not applicable
	1,772,481	
Not exposed to interest rate risk:		
Corporate stock	2,528,816	
Mutual funds – other than fixed income	4,022,933	
Total investments	\$ 8,324,230	
	<b>2013</b>	<b>Maturity</b>
	<b>Fair value</b>	
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	

**(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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June 30, 2014 and 2013

(e) **Foreign Currency Risk**

The Association did not hold any investments that were subject to foreign currency risk at June 30, 2014 or 2013.

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, 2014 and 2013, the Association held approximately \$844,283 and \$702,412 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, 2014 and 2013, the Association experienced realized and unrealized gains, net on investments held as outlined below:

	<b>2014</b>	<b>2013</b>
Realized	\$ 545,936	170,538
Unrealized	371,298	220,195
	\$ 917,234	390,733

A detail of the investment accounts at June 30, 2014 is included below:

Name of depository	Account name	Account type	Account balance
TD Ameritrade	Callan	Corporate Stock and Mutual Funds	\$ 2,993,133
TD Ameritrade	New Frontier	Mutual Funds	1,245,268
TD Ameritrade	PIMCO	Mutual Funds	1,010,326
Assetmark	SSgA	Mutual Funds	1,288,156
TD Ameritrade	Blackrock	Mutual Funds	671,636
Bank of the West	Certificates of Deposit	Certificate of Deposit	1,115,756
			\$ 8,324,275

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

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Notes to Financial Statements

June 30, 2014 and 2013

<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	\$ 2,501,760
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
Bank of the West	Certificates of Deposit	Certificate of Deposit	1,113,230
			<u>\$ 7,377,913</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, 2014 and 2013, the Association had unrestricted balances on deposit with the University of New Mexico Foundation of \$43,976 and \$28,548, respectively.

**(6) Restricted Net Position**

During the year ended June 30, 2013, the Association had transferred all of the restricted funds previously held to the University of New Mexico Foundation. The Association had no additional restricted funds at June 30, 2014.

**(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 \$844,283 and \$702,412 as of June 30, 2014 and 2013, respectively. Income from these funds in the amount of \$111,099 and \$59,478 was expendable for designated programs, as stipulated by the donor as of June 30, 2014 and 2013, respectively.

**(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.



**KPMG LLP**  
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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, 2014, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 15, 2014.

**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  
September 15, 2014

**THE UNIVERSITY OF NEW MEXICO ALUMNI ASSOCIATION**  
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Schedule of Findings and Responses

June 30, 2014 and 2013

**Findings – Financial Statement Audit**

***Prior Year Findings***

None

***Current Year Findings***

None

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Exit Conference

June 30, 2014 and 2013

We discussed the recommendations contained in this letter during the exit conference held September 12, 2014. The exit conference was attended by the following individuals:

**The University of New Mexico Alumni Association**

Karen Abraham, Executive Director

Brian Colón, President

Randy Royster, Past President

Tom Daulton, Treasurer

Sandra Begay-Campbell, Member at Large

Donald “Duffy” Swan, Member at Large

Harold Lavender, Member at Large

Rosalyn Nguyen, Ex Officio

Jane Algermissen

**KPMG LLP**

Cynthia Reinhart, Partner

Pepper Cooper, Manager

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