



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

Financial Statements

June 30, 2015 and 2014

(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

OFFICERS

Brian Colon – President of the Board
Ann Rhoades – President Elect of the Board
Tom Daulton – Treasurer of the Board
Randy Royster – Past President of the Board

COMMITTEE CHAIRS

Brian Colon – Chair, Executive Committee
Ruth Schifani – Chair, Finance Committee

EX-OFFICIO MEMBERS

Karen Abraham – Executive Director, Alumni Association
Carl Alongi – Chairman of the Board, University of New Mexico Foundation
Kaitlin Ghelfi – President, Young Alumni Chapter
Rachel Williams – President, Associated Students of the University of New Mexico
Texanna Martin – President, University of New Mexico Graduate and Profession Student Association

DISTINGUISHED LIFETIME MEMBER

Marion Fleck

BOARD MEMBERS

Sandra Begay-Campbell	Karen Moses
Amy Boule	Tim Nisly
Breda Bova	Rosalyn Nguyen
Brian S. Colon	Mary O’Hara
Henry Crumpton	Olivia Padilla-Jackson
Tom Daulton	V.B. Price
Wayne Davenport	Ann Rhoades
Bill Dolan	Henry Rivera
Mike Dunworth	Gail Rosenblum
Nancy Herring	Randy Royster
David Hovda	Terri Salazar
James King	Peter Sanchez
Harold Lavender	Donald “Duffy” Swan
James Lewis	Alexis Tappan
Ryan Lindquist	Daniel Trujillo
Kendra Merritt Doyel	Jacob Wellman
Danny Milo	Cody Willard
Ryan Montoya	Cate Wisdom



KPMG LLP
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. Timothy Keller
New Mexico State Auditor:

Report on the Financial Statements

We have audited the accompanying financial statements of University of New Mexico Alumni Association (the Association), a component unit of the University of New Mexico, which comprise the statements of net positions as of June 30, 2015 and 2014, 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 opinions.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of New Mexico Alumni Association as of June 30, 2015 and 2014, 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 27, 2015 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 27, 2015

THE UNIVERSITY OF NEW MEXICO ALUMNI ASSOCIATION

(A Component Unit of the University of New Mexico)

Management's Discussion and Analysis (unaudited)

June 30, 2015 and 2014

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, 2015 and 2014, and the following, which comprise the basic financial statements as listed in the table of contents:

1. Statements of Net Position
2. Statements of Revenues, Expenses, and Changes in Net Position
3. Statements of Cash Flows
4. Notes to Financial Statements

The financial statements give an overall picture of the Association's financial situation and should be read in conjunction with the MD&A.

The statements of net position of the Association 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>2015</u>	<u>2014</u>	<u>2013</u>
Current assets	\$ 9,248,362	9,410,630	8,571,977
Current liabilities	\$ 4,371	18,783	1,831
Net position:			
Restricted	—	—	—
Unrestricted	9,243,991	9,391,847	8,570,146
Total liabilities and net position	<u>\$ 9,248,362</u>	<u>9,410,630</u>	<u>8,571,977</u>
Operating revenue:			
Royalties	\$ 339,655	328,583	337,663
Alumni programs	142,578	123,152	144,125
Merchandise sales	11,327	9,738	18,676
Total operating revenue	<u>493,560</u>	<u>461,473</u>	<u>500,464</u>

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Management's Discussion and Analysis (unaudited)

June 30, 2015 and 2014

	Condensed Financial Information		
	2015	2014	2013
Operating expenses:			
Alumni programs	\$ 591,291	656,013	1,261,241
Management and general	62,877	91,907	61,688
Total operating expenses	654,168	747,920	1,322,929
Operating loss	(160,608)	(286,447)	(822,465)
Nonoperating revenues (expenses), net:			
Contributions	24,362	15,758	15,863
Investment income, net of change in fair value of investments	(11,610)	1,092,390	584,598
Transfer of restricted funds to UNM Foundation	—	—	(32,593)
Total nonoperating revenue (expenses), net	12,752	1,108,148	567,868
(Decrease) increase in net position	(147,856)	821,701	(254,597)
Net position, beginning of year	9,391,847	8,570,146	8,824,743
Net position, end of year	\$ 9,243,991	9,391,847	8,570,146

Financial Analysis

The Association's total assets at June 30, 2015 of \$9,248,362 exceeded total liabilities of \$4,371 yielding total net position of \$9,243,991. The total net position showed a decrease of 1.6% for the 2015 fiscal year. The primary factor contributing to the decrease in total net position in fiscal year 2015 was the performance of the investment portfolio, which yielded a year-to-date loss of 1.16%. 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%. Liabilities decreased from \$18,783 at June 30, 2014 to \$4,371 at June 30, 2015. Liabilities increased from \$1,831 at June 30, 2013 to \$18,783 at June 30, 2014. The Association does not have capital assets as the University of New Mexico (UNM) holds title to all capital assets.

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Management's Discussion and Analysis (unaudited)

June 30, 2015 and 2014

The majority of the Association's assets are investments (89%). In the past years, the value of investment portfolio was lessened due to the volatility of the financial markets. The net decrease in fair value of the investment portfolio for fiscal year 2015 amounted to \$201,300, which was a significant decrease over the previous year's net increase of \$917,234, which was an increase over the 2013 year's net increase of \$390,733. The current investments continued to yield low earnings dividends and interest due to historically low rates of return on cash equivalent accounts. Investment income in 2015 was \$189,690, investment income in 2014 was \$175,156, while 2013 was \$193,865. The major contributing factor to the Association's decrease in net position of \$147,856 for 2015 was the investment portfolio's rate of loss of 1.16%. In comparison, there was an increase in net position of \$821,701 in 2014 largely due to the portfolios rate of return of 15.67%. In 2013, there was a decrease in net position of \$254,597 in 2013.

Total operating revenues were \$493,560, \$461,473, and \$500,464 for the years ended June 30, 2015, 2014, and 2013, respectively. The increase in 2015 is largely due to the receipts from the Affinity Licensing, insurance program commissions, and the successful fund-raising efforts. 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. Nonoperating revenues (expenses) were \$12,752, \$1,108,148, and \$567,868 for the years ended June 30, 2015, 2014, and 2013, respectively. The decrease in 2015 from 2014 and increase in 2014 from 2013 are largely due to the performance of the investment portfolio in a volatile market.

Total operating expenses for fiscal year 2015 were \$654,168, which represented a 14% decrease in spending from the prior year. The decrease is due to savings in the Consulting and Outsourcing, Operations and Sports program budget. Total operating expenses for fiscal year 2014 were \$747,920, which represented a 43% decrease in spending from the prior fiscal year 2013.

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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Statements of Net Position

June 30, 2015 and 2014

Assets	2015	2014
	<u> </u>	<u> </u>
Current assets:		
Cash and cash equivalents	\$ 985,800	1,039,797
Investments	8,195,696	8,324,230
Accounts receivable	33,066	32,063
Other assets	<u>33,800</u>	<u>14,540</u>
Total current assets	<u>\$ 9,248,362</u>	<u>9,410,630</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	<u>\$ 4,371</u>	<u>18,783</u>
Total current liabilities	<u>4,371</u>	<u>18,783</u>
Net position:		
Unrestricted	<u>9,243,991</u>	<u>9,391,847</u>
Total net position	<u>9,243,991</u>	<u>9,391,847</u>
Total liabilities and net position	<u>\$ 9,248,362</u>	<u>9,410,630</u>

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 Position

Years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating revenues:		
Royalties	\$ 339,655	328,583
Alumni programs	142,578	123,152
Merchandise sales	11,327	9,738
Total operating revenues	<u>493,560</u>	<u>461,473</u>
Operating expenses:		
Alumni programs	591,291	656,013
Management and general	62,877	91,907
Total operating expenses	<u>654,168</u>	<u>747,920</u>
Operating loss	<u>(160,608)</u>	<u>(286,447)</u>
Nonoperating revenues (expenses), net:		
Contributions	24,362	15,758
Investment income	189,690	175,156
Net (decrease) increase in fair value of investments	(201,300)	917,234
Total nonoperating revenues, net	<u>12,752</u>	<u>1,108,148</u>
(Decrease) increase in net position	<u>(147,856)</u>	<u>821,701</u>
Net position, beginning of year	<u>9,391,847</u>	<u>8,570,146</u>
Net position, end of year	<u><u>\$ 9,243,991</u></u>	<u><u>9,391,847</u></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, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Cash receipts from royalties	\$ 340,550	343,304
Cash receipts from alumni programs	121,420	140,867
Cash receipts from merchandise sales	11,327	9,738
Payments to suppliers	(668,580)	(730,966)
Net cash flows from operating activities	(195,283)	(237,057)
Cash flows from financing activity:		
Cash receipts from contributions	24,362	15,758
Net cash flows from financing activity	24,362	15,758
Cash flows from investing activities:		
Investments purchased	(4,724,327)	(4,370,187)
Proceeds from sale of investments	4,651,561	4,341,105
Interest and dividends received	189,690	175,156
Net cash flows from investing activities	116,924	146,074
Net decrease in cash and cash equivalents	(53,997)	(75,225)
Cash and cash equivalents, beginning of year	1,039,797	1,115,022
Cash and cash equivalents, end of year	\$ 985,800	1,039,797
Reconciliation of operating income to net cash flows from operating activities:		
Operating loss	\$ (160,608)	(286,447)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Changes in assets and liabilities:		
Accounts receivable	(1,003)	23,686
Other assets	(19,260)	8,752
Accounts payable	(14,412)	16,952
Net cash flows from operating activities	\$ (195,283)	(237,057)

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2015 and 2014

(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) Summary of Significant Accounting Policies and Practices

(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 not-for-profit. The Association has no component units. The Association's financial statements are reported using a flow of economic resources measurement focus and the full-accrual basis of accounting. Accordingly, revenues are recognized when they are earned and expenses are recognized as soon as the liability is incurred.

Operating revenues and expenses are those incurred that relate directly to events and activities required to maintain a positive relationship between 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*

Net position is classified as follows:

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.

Designated net position (Quasi-Endowment) is unrestricted subject to limits imposed by action of the board of directors. Designated net position is earmarked for future operating and program expenses. The Quasi-Endowment was established during fiscal year 2015 for the purpose of supporting the continued existence and independence of the Association.

(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.

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Notes to Financial Statements

June 30, 2015 and 2014

(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 until terminated by the Association or FIA Card Services. The Association receives payments every quarter and recognizes 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 in other assets.

(g) *Accounts Receivable*

Accounts receivable consist of amounts receivable under affinity agreements. 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.

THE UNIVERSITY OF NEW MEXICO ALUMNI ASSOCIATION
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Notes to Financial Statements

June 30, 2015 and 2014

(i) *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures during the reporting period. Accordingly, actual results could differ from those estimates.

(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, 2015, the Association's deposits were exposed to custodial credit risk as follows:

Insured	\$	133,687
Uninsured		—
Reconciling items		<u>(16,269)</u>
Deposits recorded in the financial statements		117,418
Funds on deposit with UNM not subject to custodial credit risk		136,964
Money market funds not subject to custodial credit risk		451,335
Money market funds subject to custodial credit risk		<u>280,083</u>
Cash and cash equivalents per financial statements	\$	<u><u>985,800</u></u>

As of June 30, 2014, the Association's deposits were exposed to custodial credit risk as follows:

Insured	\$	125,026
Uninsured		—
Reconciling items		<u>(10,902)</u>
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		<u>400,808</u>
Cash and cash equivalents per financial statements	\$	<u><u>1,039,797</u></u>

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Notes to Financial Statements

June 30, 2015 and 2014

A detail of the cash accounts at June 30, 2015 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	\$ 29,573	(16,269)	13,304
University of New Mexico	FRS Expenditures	Cash	33,283	—	33,283
University of New Mexico	Alumni Public Agency Business investment	Cash	103,681	—	103,681
Bank of America	Savings	Cash	104,114	—	104,114
Bank of America	BA	Money Market	425,969	—	425,969
TD Ameritrade	Blackrock	Money Market	63,950	—	63,950
AssetMark	SSgA	Money Market	83,339	—	83,339
TD Ameritrade	New Frontier	Money Market	31,850	—	31,850
TD Ameritrade	Callan	Money Market	125,110	—	125,110
TD Ameritrade	PIMCO	Money Market	1,200	—	1,200
			<u>\$ 1,002,069</u>	<u>(16,269)</u>	<u>985,800</u>

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>

(4) Investments

The Association has an Investment Management Policy (IMP), which includes investment objectives to preserve principal, achieve moderate growth, and meet limited income needs of the Association. Financial instruments that potentially subject the Association to concentrations of risk consist primarily of investments in 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

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Notes to Financial Statements

June 30, 2015 and 2014

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, 2015 and 2014, and the Association's exposure to custodial credit risk is as follows:

	2015
Custodial credit risk:	
Corporate stock	\$ 1,733,510
Certificate of deposit	1,112,399
Total investments held by custodians	2,845,909
Investments not subject to custodial credit risk:	
Mutual Funds	5,349,787
	\$ 8,195,696
2014	
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) 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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Notes to Financial Statements

June 30, 2015 and 2014

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, 2015 and 2014, the Association did not have any investments in one issuer that represented more than 5% of total investments, except as noted below:

	<u>2015</u>	<u>2014</u>
Certificates of deposit with Bank of the West	\$ 574,368	1,115,756
PIMCO Total Return II Institutional	1,035,353	1,010,281
Blackrock Multi Asset Inc Portfolio A	636,956	671,636
SPDR S&P 500 ETF	466,868	526,095

(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, 2015 and 2014

A summary of the investments held by the Association and the respective maturities at June 30, 2015 and 2014 and the exposure to interest rate risk is as follows:

	2015	Maturity
	Fair value	
Exposed to interest rate risk:		
Bank of the West Certificates of deposit	\$ 297,935	08/21/16
Bank of the West Certificates of deposit	276,433	09/29/15
First National Rio Grande Certificates of deposit	288,031	11/24/15
US Bank Certificates of deposit	250,000	04/27/16
	1,112,399	
Not exposed to interest rate risk:		
Corporate stock	1,733,510	
Mutual funds – other than fixed income	5,349,787	
Total investments	\$ 8,195,696	
	2014	Maturity
	Fair value	
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	

(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.

(e) Foreign Currency Risk

The Association did not hold any investments that were subject to foreign currency risk at June 30, 2015 or 2014.

THE UNIVERSITY OF NEW MEXICO ALUMNI ASSOCIATION
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Notes to Financial Statements

June 30, 2015 and 2014

During the years ended June 30, 2015 and 2014, the Association experienced realized and unrealized gains, net on investments held as outlined below:

	2015	2014
Realized	\$ 220,091	545,936
Unrealized	(421,391)	371,298
	\$ (201,300)	917,234

A detail of the investment accounts at June 30, 2015 is included below:

Name of depository	Account name	Account type	Account balance
TD Ameritrade	Callan	Corporate Stock and Mutual Funds	\$ 2,892,714
TD Ameritrade	New Frontier	Mutual Funds	1,266,213
TD Ameritrade	PIMCO	Mutual Funds	1,035,353
Assetmark	SSgA	Mutual Funds	1,252,061
TD Ameritrade	Blackrock	Mutual Funds	636,956
Bank of the West	Certificates of Deposit	Certificate of Deposit	574,368
First National Rio Grande	Certificates of Deposit	Certificate of Deposit	288,031
US Bank	Certificates of Deposit	Certificate of Deposit	250,000
			\$ 8,195,696

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	1,010,281
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
			\$ 8,324,230

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Notes to Financial Statements

June 30, 2015 and 2014

(5) Related-Party Transactions

The University of New Mexico provides office space, personnel, supplies, and utilities to the Association at no cost. As such, revenues and expenses related to these costs have not been recorded in the accompanying basic financial statements.

The Association will incur certain expenditures that are paid through 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, 2015 and 2014, the Association had unrestricted balances on deposit with the University of New Mexico Foundation of \$33,283 and \$43,976, respectively.

(6) 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. Timothy Keller
New Mexico State Auditor:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the University of New Mexico Alumni Association (the Association), a component of the University of New Mexico, which comprise the statements of net position as of June 30, 2015, 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 27, 2015.

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 27, 2015

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

Schedule of Findings and Responses

June 30, 2015 and 2014

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, 2015 and 2014

An exit conference was held on September 24, 2015. During this meeting, the contents of this report were discussed with the following individuals:

The University of New Mexico Alumni Association

Karen Abraham, Executive Director

James Lewis, Board President Elect

Elaine Chew, Sr Fiscal Services Tech

Jane Algermissen, Unit Administrator 1

KPMG LLP

Suzette Longfellow, Managing Director

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.