



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

Financial Statements

June 30, 2016 and 2015

(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**

Ann Rhoads – President of the Board  
James Lewis – President Elect of the Board  
Tom Daulton – Treasurer of the Board  
Brian Colon – Past President of the Board

**COMMITTEE CHAIRS**

Ann Rhoads – Chair, Executive Committee  
Ruth Schifani – Chair, Finance Committee

**EX-OFFICIO MEMBERS**

Dana Allen – Executive Director, Alumni Association  
Michelle Coons – Chairman of the Board, University of New Mexico Foundation  
DeAnna Salazar – President, Young Alumni Chapter  
Jenna Hagengruber – 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	Danny Milo
Tim Nisly	Karen Moses
Breda Bova	Judith Nakamura
Brian S. Colon	Rosalyn Nguyen
John W. Brown	Mary O’Hara
Tom Daulton	P. Michael Padilla
Wayne Davenport	Olivia Padilla-Jackson
Bill Dolan	Lorii Rabinowitz
Mike Dunworth	Ann Rhoades
Veronica Garcia	Henry Rivera
Julia Gilroy	Terri Salazar
Leslie Hoffman	Peter Sanchez
David Hovda	Alexis Tappan
James King	Albert Gallegos
Harold Lavender	Daniel Trujillo
James Lewis	Jacob Wellman
Ryan Lindquist	Cate Wisdom
Kendra Merritt Doye	



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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. Timothy Keller  
New Mexico State Auditor:

### **Report on the Financial Statements**

We have audited the accompanying basic financial statements of University of New Mexico Alumni Association (the Association), a component unit of the University of New Mexico, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed in the table of contents.

#### ***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 University of New Mexico Alumni Association as of June 30, 2016 and 2015, 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.

***Emphasis of Matter***

*Adoption of New Accounting Pronouncement*

As discussed in note 2 to the financial statements, effective July 1, 2015, the Association adopted *Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

***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 November 8, 2016 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  
November 8, 2016

**THE UNIVERSITY OF NEW MEXICO ALUMNI ASSOCIATION**

(A Component Unit of the University of New Mexico)

Management's Discussion and Analysis (Unaudited)

June 30, 2016 and 2015

**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, 2016 and 2015, 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 provide 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>2016</u>	<u>2015</u>	<u>2014</u>
Current assets	\$ 8,947,356	9,248,362	9,410,630
Current liabilities	\$ 94,873	4,371	18,783
Net position:			
Unrestricted	<u>8,852,483</u>	<u>9,243,991</u>	<u>9,391,847</u>
Total liabilities and net position	<u>\$ 8,947,356</u>	<u>9,248,362</u>	<u>9,410,630</u>
Operating revenue:			
Royalties	\$ 425,820	339,655	328,583
Alumni programs	97,212	142,578	123,152
Merchandise sales	<u>8,795</u>	<u>11,327</u>	<u>9,738</u>
Total operating revenue	<u>\$ 531,827</u>	<u>493,560</u>	<u>461,473</u>

**THE UNIVERSITY OF NEW MEXICO ALUMNI ASSOCIATION**

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Management's Discussion and Analysis (Unaudited)

June 30, 2016 and 2015

**Condensed Financial Information**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating expenses:			
Alumni programs	\$ 831,908	591,291	656,013
Management and general	200,264	62,877	91,907
Total operating expenses	<u>1,032,172</u>	<u>654,168</u>	<u>747,920</u>
Operating loss	<u>(500,345)</u>	<u>(160,608)</u>	<u>(286,447)</u>
Nonoperating revenues (expenses), net:			
Contributions	7,661	24,362	15,758
Investment income, net of change in fair value of investments	<u>101,176</u>	<u>(11,610)</u>	<u>1,092,390</u>
Total nonoperating revenue (expenses), net	<u>108,837</u>	<u>12,752</u>	<u>1,108,148</u>
(Decrease) increase in net position	<u>(391,508)</u>	<u>(147,856)</u>	<u>821,701</u>
Net position, beginning of year	<u>9,243,991</u>	<u>9,391,847</u>	<u>8,570,146</u>
Net position, end of year	<u>\$ 8,852,483</u>	<u>9,243,991</u>	<u>9,391,847</u>

**Financial Analysis**

The Association's total assets at June 30, 2016 of \$8,947,356 exceeded total liabilities of \$94,873 yielding total net position of \$8,852,483. The total net position showed a decrease of 4.23% for the 2016 fiscal year. The primary factor contributing to the decrease in total net position in fiscal year 2016 was the increase in operating expenses over fiscal year 2015. 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%. Liabilities increased from \$4,371 at June 30, 2015 to \$94,873 at June 30, 2016, primarily due to the year-end accruals for the Karen Abraham Courtyard project. Liabilities decreased from \$18,783 at June 30, 2014 to \$4,371 at June 30, 2015. 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 totaling slightly over 90% of total assets. The net decrease in fair value of the Association's investments for fiscal year 2016 amounted to \$84,108, and is due entirely to the consumption of cash for operations. The portfolio itself, net of cash, had an actual increase of \$27,889. For fiscal 2015, the fair value of the portfolio reflected a net decrease of \$128,534 from fiscal 2014, or 1.54%. In fiscal 2014, the portfolio rode a robust market to a gain of \$946,317. This represents a 12.33% gain over the portfolio value of \$7,377,913 at June 30, 2013.

**THE UNIVERSITY OF NEW MEXICO ALUMNI ASSOCIATION**

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Management's Discussion and Analysis (Unaudited)

June 30, 2016 and 2015

Total operating revenue was \$531,827, \$493,560, and \$461,473 for the years ended June 30, 2016, 2015, and 2014, respectively. The increase in 2016 is largely due to the receipts from the Affinity Licensing program and insurance program commissions. Nonoperating revenue was \$108,837, \$12,752, and \$1,108,148 for the years ended June 30, 2016, 2015, and 2014, respectively. The increase in fiscal 2016, decrease in fiscal 2015, and certainly the significant increase in fiscal 2014 are largely due to the performance of the investment portfolio in a market characterized by unusual swings. During these three years, our portfolio's performance has consistently paralleled, and in some cases outperformed, our asset-class-weighted benchmark.

Total operating expenses for fiscal year 2016 were \$1,032,172, which represented a 58% increase in spending from the prior year. This figure includes a \$60,000 nonoperating expense in Consulting and Outsourcing, plus the recognition of a total of \$136,392 in project expenses for the Courtyard (also considered nonoperating). Total operating expenses for fiscal year 2015 were \$654,168, over \$200,000 below the fiscal 2015 budget. While significant cost reductions were achieved in the Consulting and Outsourcing, Community Outreach, and Chapter Functions categories in fiscal 2015, it should be noted a large percentage of those savings were delayed, and ultimately pushed into fiscal 2016.

**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 Hodgkin Hall, Albuquerque, New Mexico, 87131-0001.



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

Statements of Net Position

June 30, 2016 and 2015

<b>Assets</b>	<b>2016</b>	<b>2015</b>
	<u>          </u>	<u>          </u>
Current assets:		
Cash and cash equivalents	\$ 833,199	985,800
Investments	8,098,041	8,195,696
Accounts receivable	3,206	33,066
Other assets	<u>12,910</u>	<u>33,800</u>
Total current assets	<u>\$ 8,947,356</u>	<u>9,248,362</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	<u>\$ 94,873</u>	<u>4,371</u>
Total current liabilities	<u>94,873</u>	<u>4,371</u>
Net position:		
Unrestricted	<u>8,852,483</u>	<u>9,243,991</u>
Total net position	<u>8,852,483</u>	<u>9,243,991</u>
Total liabilities and net position	<u>\$ 8,947,356</u>	<u>9,248,362</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, 2016 and 2015

	<b>2016</b>	<b>2015</b>
Operating revenues:		
Royalties	\$ 425,820	339,655
Alumni programs	97,212	142,578
Merchandise sales	8,795	11,327
Total operating revenues	531,827	493,560
Operating expenses:		
Alumni programs	831,908	591,291
Management and general	200,264	62,877
Total operating expenses	1,032,172	654,168
Operating loss	(500,345)	(160,608)
Nonoperating revenues (expenses), net:		
Contributions	7,661	24,362
Investment income	185,194	189,690
Net decrease in fair value of investments	(84,018)	(201,300)
Total nonoperating revenues, net	108,837	12,752
Decrease in net position	(391,508)	(147,856)
Net position, beginning of year	9,243,991	9,391,847
Net position, end of year	\$ 8,852,483	9,243,991

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, 2016 and 2015

	<b>2016</b>	<b>2015</b>
Cash flows from operating activities:		
Cash receipts from royalties	\$ 456,988	340,550
Cash receipts from alumni programs	116,794	121,420
Cash receipts from merchandise sales	8,795	11,327
Payments to suppliers	(941,670)	(668,580)
Net cash flows from operating activities	(359,093)	(195,283)
Cash flows from noncapital financing activity:		
Cash receipts from contributions	7,661	24,362
Net cash flows from noncapital financing activity	7,661	24,362
Cash flows from investing activities:		
Investments purchased	(10,390,901)	(4,724,327)
Proceeds from sale of investments	10,404,538	4,651,561
Interest and dividends received	185,194	189,690
Net cash flows from investing activities	198,831	116,924
Net decrease in cash and cash equivalents	(152,601)	(53,997)
Cash and cash equivalents, beginning of year	985,800	1,039,797
Cash and cash equivalents, end of year	\$ 833,199	985,800
Reconciliation of operating income to net cash flows from operating activities:		
Operating loss	\$ (500,345)	(160,608)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Changes in assets and liabilities:		
Accounts receivable	29,860	(1,003)
Other assets	20,890	(19,260)
Accounts payable	90,502	(14,412)
Net cash flows from operating activities	\$ (359,093)	(195,283)

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, 2016 and 2015

**(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 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 UNM 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.

**(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 UNM and the University of New Mexico Foundation.

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

June 30, 2016 and 2015

**(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 a several licensing agreements made with an unrelated parties. The Association is paid a percentage royalty for use of its name and logo. Revenues are recognized when earned by the Association 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 one-year periods 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. If purpose-restricted contributions are received, they 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. The Association did not receive purpose-restricted contributions for years associated with these financial statements. Promises to give (pledges) are recorded at net realizable value in other assets.

**(g) *Accounts Receivable***

Accounts receivable consist of amounts receivable for alumni activity revenue. The Association has not provided an allowance for their collectibility as management considers them to be fully collectible.

**(h) *Investments***

Money market investments and certificates of deposit are carried at amortized cost, which approximates fair value. Investments are reported at fair value. The basis of determining the fair value of investments is the readily determinable sales price or current exchange rate of the investments based on prices or quotations from over-the-counter markets. Where fair value is not readily determinable, the Association uses net asset value (NAV) per share, units owned, and other valuation factors to approximate fair value.

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

June 30, 2016 and 2015

The alternative investments are valued as reported by third-party fund managers. Management reviews and evaluates the valuation received from third parties and believes the carrying amount to be a reasonable estimate of fair value. As limited partnership investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed.

The change in fair value of investments is reported in the statements of revenues, expenses, and changes in net position.

**(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.

**(j) Adoption of New GASB Pronouncements**

The Association adopted GASB Statement No. 72, *Fair Value Measurement and Application*. GASB 72 provides guidance for determining a fair value measurement for financial reporting purposes. The Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

During the year ended June 30, 2016, the Association adopted GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (GASB 76) that supersedes GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB 76 identifies the hierarchy of general accepted accounting principles for state and local governments. This implementation did not have significant impact on the Association financial statements.

**(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.

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

Notes to Financial Statements

June 30, 2016 and 2015

As of June 30, 2016, the Association's deposits were exposed to custodial credit risk as follows:

Insured	\$ 264,057
Uninsured	6,544
Reconciling items	(14,735)
	255,866
Deposits recorded in the financial statements	255,866
Funds on deposit with UNM not subject to custodial credit risk	187,602
Money market funds not subject to custodial credit risk	235,943
Money market funds subject to custodial credit risk	153,788
	\$ 833,199

As of June 30, 2015, the Association's deposits were exposed to custodial credit risk as follows:

Insured	\$ 133,687
Uninsured	—
Reconciling items	(16,269)
	117,418
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	280,083
	\$ 985,800

A detail of the cash accounts at June 30, 2016 is included below:

Name depository	Account name	Account type	Bank balances	Reconciling items	Reconciled balance
Bank of America	Checking Account	Cash	\$ 39,881	(14,735)	25,146
University of New Mexico	FRS Expenditures	Cash	3,562	—	3,562
University of New Mexico	Alumni Public Agency Business investment	Cash	184,040	—	184,040
Bank of America	Savings	Cash	216,663	—	216,663
Bank of America	BA	Money market	76,079	—	76,079
Merrill Lynch	Quasi Endowment	Cash	12,368	—	12,368
Merrill Lynch	Quasi Endowment	Money market	261,423	—	261,423
Merrill Lynch	Additional funds	Cash	1,689	—	1,689
Merrill Lynch	Additional funds	Money market	52,229	—	52,229
			\$ 847,934	(14,735)	833,199

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

June 30, 2016 and 2015

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 University of New Mexico	Checking Account	Cash	\$ 29,573	(16,269)	13,304
University of New Mexico	FRS Expenditures	Cash	33,283	—	33,283
	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>

**(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 government securities. 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.



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

June 30, 2016 and 2015

A detail of the investment accounts at June 30, 2016 is included below:

<u>Name of depository</u>	<u>Account name</u>	<u>Account type</u>	<u>Account balance</u>
Merrill Lynch	Janus LCG	Corporate stock	\$ 499,735
Merrill Lynch	London LLC	Corporate stock	793,056
Merrill Lynch	BlackRock LLC	Corporate stock	447,071
Merrill Lynch	Principal MCC	Corporate stock	364,554
Merrill Lynch	PNC SCC	Corporate stock	214,521
Merrill Lynch	Thomas White International	Corporate stock	202,279
Merrill Lynch	Invesco International	Corporate stock	865,169
Merrill Lynch	Cohen Global REIT	Corporate stock	309,518
Merrill Lynch	Cohen Infrastructure	Corporate stock	233,789
Merrill Lynch	Additional	Corporate stock and mutual funds	955,360
Merrill Lynch	Western Core	Mutual funds and fixed income	1,377,466
Merrill Lynch	Lord Abbott	Fixed income	1,463,929
Merrill Lynch	Alternatives	Alternative investments	371,594
			<u>\$ 8,098,041</u>

A detail of the investment accounts at June 30, 2015 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	\$ 2,892,714
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
U.S. Bank	Certificates of deposit	Certificate of deposit	250,000
			<u>\$ 8,195,696</u>

**(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**  
(A Component Unit of the University of New Mexico)

Notes to Financial Statements

June 30, 2016 and 2015

A summary of the investments held by the Association at June 30, 2016 and 2015, and the Association's exposure to custodial credit risk is as follows:

	<b>2016</b>
Custodial credit risk:	
Corporate stock	\$ 4,499,258
Government securities	1,213,305
Mortgage/asset-backed bonds	713,827
Corporate bonds	444,266
Alternative investments	371,594
Other bonds	33,184
Total investments held by custodians	7,275,434
Investments not subject to custodial credit risk:	
Mutual funds	813,626
Other	8,981
	\$ 8,098,041
	<b>2015</b>
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

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Notes to Financial Statements

June 30, 2016 and 2015

**(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	15%	25%	45%
Small cap	5	10	15
International/global	10	15	25
Fixed income	25	35	50
Cash	—	—	10
Hedge funds	—	5	10
Private equity	—	5	10
Real estate	—	5	10

As of June 30, 2016 and 2015, the Association did not have any investments in one issuer that represented more than 5% of total investments, except as noted below:

	<u>2016</u>	<u>2015</u>
PIMCO Total Return II Institutional	\$ —	1,035,353
Blackrock Multi Asset Inc Portfolio A	—	636,956
Certificates of deposit with Bank of the West	—	574,368
SPDR S&P 500 ETF	—	466,868
U.S. Treasury Note	474,640	—

**(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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June 30, 2016 and 2015

A summary of the investments held by the Association and the respective maturities at June 30, 2016 and 2015 and the exposure to interest rate risk is as follows:

		<b>2016 Investment maturities</b>				
		<b>Fair value</b>	<b>Less than one year</b>	<b>1–5 years</b>	<b>6–10 years</b>	<b>More than 10 years</b>
At interest rate risk:						
Government securities	\$	1,213,305	—	1,033,317	47,660	132,328
Mortgage/asset-backed bonds		713,827	—	126,651	27,011	560,165
Corporate bonds		444,266	64,352	162,462	99,006	118,446
Other bonds		33,184	—	33,184	—	—
		<u>2,404,582</u>	<u>64,352</u>	<u>1,355,614</u>	<u>173,677</u>	<u>810,939</u>
Not subject to interest rate risk:						
Corporate stock		4,499,258				
Mutual funds – other than fixed income		813,626				
Alternative investments		371,594				
Other		8,981				
Total investments	\$	<u>8,098,041</u>				

		<b>2015 Investment maturities</b>				
		<b>Fair value</b>	<b>Less than one year</b>	<b>1–5 years</b>	<b>6–10 years</b>	<b>More than 10 years</b>
At interest rate risk:						
Certificates of deposit	\$	1,112,399	814,464	297,935	—	—
		<u>1,112,399</u>	<u>814,464</u>	<u>297,935</u>	<u>—</u>	<u>—</u>
Not subject to interest rate risk:						
Corporate stock		1,733,510				
Mutual funds – other than fixed income		5,349,737				
Total investments	\$	<u>8,195,646</u>				

**(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.

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

June 30, 2016 and 2015

Below is a summary of the Association's investments at June 30, 2016. For investments at June 30, 2015, the Association had no investments that met the criteria for disclosure.

June 30, 2016						
Credit rating	Government and federal agency obligations	Mortgage/asset backed	Corporate bonds	Other bonds	Total	Percentage of bond portfolio
AAA	\$ —	120,287	—	—	120,287	5.0%
AA+	121,981	—	26,212	—	148,193	6.1
A	—	—	16,253	—	16,253	0.7
A-	—	—	100,136	—	100,136	4.2
BBB+	—	—	181,983	33,184	215,167	8.9
BBB	—	—	102,520	—	102,520	4.3
BBB-	—	—	17,162	—	17,162	0.7
Not rated	—	593,540	—	—	593,540	24.7
U.S. government guaranteed	1,091,324	—	—	—	1,091,324	45.4
Total	<u>\$ 1,213,305</u>	<u>713,827</u>	<u>444,266</u>	<u>33,184</u>	<u>2,404,582</u>	<u>100.0%</u>

(e) **Foreign Currency Risk**

The Association did not hold any investments that were subject to foreign currency risk at June 30, 2016 or 2015.

(f) **Net Decrease in Fair Value of Investments**

During the years ended June 30, 2016 and 2015, the Association experienced realized and unrealized gains, net on investments held as outlined below:

	<u>2016</u>	<u>2015</u>
Realized	\$ 26,049	220,091
Unrealized	<u>(110,067)</u>	<u>(421,391)</u>
	<u>\$ (84,018)</u>	<u>(201,300)</u>

(g) **Fair Value Measurement**

*Fair Value Measurement* – The Association categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- *Level 1* inputs are quoted prices (unadjusted) for identical assets in active markets, accessible at the measurement date. Level 1 inputs include exchange markets, dealer markets, brokered markets, and principal-to-principal markets.

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Notes to Financial Statements

June 30, 2016 and 2015

- *Level 2* inputs are inputs – other than quoted prices included within Level 1 – that are observable for an asset, either directly or indirectly. Level 2 inputs include quoted prices for similar assets in active markets and quoted prices for identical or similar assets in markets that are not active.
- *Level 3* inputs are unobservable inputs for an asset.

Investments that do not have a readily determinable fair value are recorded using net asset value (NAV). NAV is generally provided by the investment managers but the Association considers the reasonableness of the NAV, based on market information, to arrive at the fair value estimates for each investment.

The Association has the following recurring fair value measurements as of June 30, 2016:

	<u>Fair value</u>	<u>Fair value measurement using</u>		
		<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Investments held by the Alumni Association:				
Corporate stock	\$ 4,499,258	4,499,258	—	—
Government securities	1,213,305	—	1,213,305	—
Mutual funds	813,626	813,626	—	—
Mortgage/asset-backed bonds	713,827	—	713,827	—
Corporate bonds	444,266	—	444,266	—
Other bonds	33,184	—	33,184	—
Other	8,981	—	8,981	—
	<hr/>	<hr/>	<hr/>	<hr/>
Total investments subject to leveling	7,726,447	<u>5,312,884</u>	<u>2,413,563</u>	<u>—</u>
Investments measured at the net asset value (NAV):				
Alternative investments:				
Private equity funds	220,622			
Hedge funds	150,972			
	<hr/>			
Total investments	\$ <u>8,098,041</u>			

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

June 30, 2016 and 2015

The Association has the following recurring fair value measurements as of June 30, 2015:

	<u>Fair value</u>	<u>Fair value measurement using</u>		
		<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Investments held by the Alumni Association:				
Corporate stock	\$ 1,733,510	1,733,510	—	—
Mutual funds – other than fixed income	5,349,787	5,349,787	—	—
Certificates of deposit	1,112,399	—	1,112,399	—
Total investments subject to leveling	<u>8,195,696</u>	<u>7,083,297</u>	<u>1,112,399</u>	<u>—</u>
Total investments	<u>\$ 8,195,696</u>			

The Association has alternative investments in Skybridge Capital and Partners Group Private Equity as of June 30, 2016. Skybridge Capital allows quarterly liquidity via tender offer. There is no early redemption fee and a 5% audit holdback paid approximately trade date plus 90 days. Partners Group allows quarterly liquidity via tender offer. There is a 2% redemption fee if redeemed in the first 12 months of holding the investment and a 5% audit holdback paid after annual audit (June payout).

**(5) Quasi-Endowment**

During fiscal year 2015, the Board of Directors of the Association approved an internal endowment policy for management of a portion of the Association investments. The quasi-endowment is earmarked for future operating and program expenses of the Association. Reallocation of balances between the Quasi-Endowment and other net position balances may be made at the discretion of the Association's Board of Directors. The Association Board-designated endowment of \$7,000,000 is accounted for and included under unrestricted net position.

**(6) Related-Party Transactions**

UNM 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 UNM. On a quarterly basis, the Association will reimburse UNM for those expenditures it has paid on behalf of the Association. At June 30, 2016 and 2015, the Association had unrestricted balances on deposit with the University of New Mexico Foundation of \$3,562 and \$33,283, respectively.

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

June 30, 2016 and 2015

**(7) 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. 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 statement of net position as of June 30, 2016, 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 November 8, 2016.

**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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness. See finding 2016-001.

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. We did not identify any deficiencies in internal control that we consider to be significant deficiencies.



### **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*.

We noted certain matters that are required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of findings and responses as item 2016-002.

### **The Association's Response to Findings**

The Association's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Association's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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  
November 8, 2016

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

Schedule of Findings and Responses

June 30, 2016 and 2015

**Findings – Financial Statement Audit**

*Prior Year Findings*

None

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

June 30, 2016 and 2015

***Current Year Findings***

**2016-001 Investments-Related Balances – Material Weakness in Internal Control**

***Condition***

The Association does not have adequate controls in place to ensure investment balances are properly reported. Based on review of investment records and third-party confirmation of investment balances, we identified the following errors in the investment-related balances at year-end:

- Investment management fees were understated by \$28,402.
- Investment income was overstated by \$42,432.
- Net unrealized losses were understated by \$70,834.

***Criteria***

Management is responsible for having effective internal controls in place to ensure investment-related transactions are recorded complete and accurate based on related investment account statements.

***Effect***

The Association did not correctly record investment management fees, interest and dividends, and realized and unrealized gains/losses during the fiscal year, resulting in incomplete and inaccurate year-end balances.

***Cause***

Due to accounting personnel turnover and the change in investment managers during the year, records of investment statements and investment-related transactions were not accurately maintained. As investment activities were not accurately tracked throughout the year, this resulted in the balances recorded within investment income, investment management fees, and realized and unrealized gains/losses being incorrect for the fiscal year ended June 30, 2016.

***Recommendation***

The Association should review monthly and quarterly investment statements to ensure all investment-related transactions are recorded appropriately and timely. We recommend that the Association perform a quarterly and/or annual investment roll-forward to identify beginning balances and activity during the period, to ensure ending balances are appropriate and can be reconciled to the general ledger. We further recommend that an independent secondary review be performed to ensure information is complete and accurate for the period under review.

***Management's Response***

The Association agrees with KPMG's findings over internal controls. Due to turnover and a change in investment advisors the Association had an inadequate control environment over investments. Accounting personnel changes have been made and going forward the Association will implement a monthly and quarterly review of investment statements to ensure investment related transactions are recorded appropriately. In addition, the Association will seek an independent secondary review. This is to include a reconciliation of investment management fees, investment income and investment balance as provided by the investment manager to the internal statements.

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Schedule of Findings and Responses

June 30, 2016 and 2015

**Other Findings as Required by New Mexico State Statute, Section 12-6-5, NMSU 1978**

**2016-002 Year-End Procedures – Other Matter (Control Deficiency)**

***Condition***

The Association's control over the bank reconciliation was not operating effectively. We found the June 30, 2016 monthly bank reconciliation was not prepared correctly, as a check in the amount of \$6,989 was incorrectly identified as an outstanding check, which caused cash and accounts payable to be understated at year-end. In addition, we found \$3,206 of revenue was not properly recorded as of June 30, 2016, based on a review of cash received subsequent to fiscal year-end, which caused accounts receivable and revenue to be understated.

***Criteria***

Management is responsible for having effective internal controls in place that provides review and reconciliation of financial statement balances at year-end to ensure proper cutoff.

***Effect***

There is an increased risk that transactions occurring near year-end are not reported in the proper period.

***Cause***

Reconciliation of year-end accounts did not include a complete consideration of the appropriate period in which related transactions should be recorded.

***Recommendation***

The Association should ensure all reconciling amounts are complete and accurate when performing year-end balance sheet reconciliations. Further, the Association should consider including an independent secondary review of account reconciliations to ensure balances are accurately reported at period-end. Cash receipts should be reviewed by the Association subsequent to fiscal year-end to ensure services provided during the fiscal year period are recognized as revenue within the appropriate period.

***Management's Response***

The Association agrees with KPMG's findings over internal controls of bank reconciliations. Due to turn over the Association had an inadequate control environment and accounting personnel changes have been made. Going forward the Association will implement a monthly and quarterly review of account reconciliations to ensure balances are accurately reported at period end. The Association will also perform a secondary review of each account to ensure there are no timing issues and confirm that the reconciliation was carried out properly. In addition, the Association will review cash receipts subsequent to fiscal year end.

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Exit Conference

June 30, 2016 and 2015

An exit conference was held on October 3, 2016. During this meeting, the contents of this report were discussed with the following individuals:

**The University of New Mexico Alumni Association**

Dana Allen, Executive Director

James Lewis, Board President

Jessica Hyden, Accountant

Jane Algermissen, Unit Administrator 1

Tom Daulton, Treasurer of the Board

Harold Lavender, Board President Elect

**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.