

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

Financial Statements

June 30, 2017 and 2016

(With Report of Independent Auditors)

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

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**THE UNIVERSITY OF NEW MEXICO ALUMNI ASSOCIATION**  
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Official Roster (Unaudited)

**OFFICERS**

James Lewis – President of the Board  
Harold Lavender – President Elect of the Board  
Tom Daulton – Treasurer of the Board  
Ann Rhoades – Past President of the Board

**COMMITTEE CHAIRS**

James Lewis – Chair, Executive Committee  
John Brown – Chair, Finance Committee

**EX-OFFICIO MEMBERS**

Dana Allen – Executive Director, Alumni Association  
Michelle Coons – Chairman of the Board, University of New Mexico Foundation  
Joseph Dworak – President, Young Alumni Chapter  
Kyle Biederwolf – President, Association Students of the University of New Mexico  
Glenda Lewis – President, University of New Mexico Graduate and Profession Student Association

**DISTINGUISHED LIFETIME MEMBER**

Marion Fleck

**BOARD MEMBERS**

Dana Allen	Danny Milo
Sandra K Begay	Karen Moses
Kyle Biederwolf	Judith Nakamura
Breda Bova	Rosalyn Nguyen
John Brown	Tim Nisly
Michelle Coons	Mary O'Hara
Tom Daulton	Michael Padilla
Bill Dolan	Olivia Padilla-Jackson
Joseph Dworak	Lori Rabinowitz
Mike Dunworth	Ann Rhoades
Veronica Garcia	Henry Rivera
Julia Gilroy	Terri Salazar
Leslie Hoffman	Peter Sanchez
James King	Alexis Tappan
Harold Lavender	Daniel Trujillo
Glenda Lewis	Cate Wisdom
James Lewis	Jake Wellman
Ryan Lindquist	Kendra Merritt-Doyel
Apollonia Trujillo Gallegos	

## Report of Independent Auditors

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 statement of net position as of June 30, 2017 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, 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 accounting principles generally accepted in the United States of America; 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 auditor's 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 auditor considers 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Prior Year Financial Statements***

The financial statements of Alumni Association as of June 30, 2016 and 2015 were audited by other auditors whose report dated November 8, 2016, expressed an unmodified opinion on those statements.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2017 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

*Mess Adams LLP*

Albuquerque, New Mexico  
September 13, 2017

**THE UNIVERSITY OF NEW MEXICO ALUMNI ASSOCIATION**

(A Component Unit of the University of New Mexico)

Management's Discussion and Analysis (Unaudited)

June 30, 2017 and 2016

**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, 2017, 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>2017</u>	<u>2016</u>	<u>2015</u>
Current assets	\$ 8,906,332	8,947,356	9,248,362
Current liabilities	10,028	94,873	4,371
Net position:			
Unrestricted	<u>8,896,304</u>	<u>8,852,483</u>	<u>9,243,991</u>
Total liabilities and net position	<u>\$ 8,906,332</u>	<u>8,947,356</u>	<u>9,248,362</u>
Operating revenue:			
Royalties	\$ 540,979	422,613	339,655
Alumni programs	135,373	100,417	142,578
Merchandise sales	<u>9,305</u>	<u>8,795</u>	<u>11,327</u>
Total operating revenue	<u>685,657</u>	<u>531,825</u>	<u>493,560</u>

**THE UNIVERSITY OF NEW MEXICO ALUMNI ASSOCIATION**

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Management's Discussion and Analysis (Unaudited)

June 30, 2017 and 2016

**Condensed Financial Information**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating expenses:			
Alumni programs	\$ 555,086	599,548	591,291
Management and general	285,368	296,230	62,877
Total operating expenses	<u>840,454</u>	<u>895,778</u>	<u>654,168</u>
Operating loss	<u>(154,797)</u>	<u>(363,953)</u>	<u>(160,608)</u>
Nonoperating revenues (expenses), net:			
Contributions	5,839	7,661	24,362
Investment income (loss), net of change in fair value of investments	672,180	101,176	(11,610)
UNM support	(150,000)	—	—
Courtyard expenses	<u>(329,401)</u>	<u>(136,392)</u>	<u>—</u>
Total nonoperating revenue (expenses), net	<u>198,618</u>	<u>(27,555)</u>	<u>12,752</u>
Increase (decrease) in net position	43,821	(391,508)	(147,856)
Net position, beginning of year	<u>8,852,483</u>	<u>9,243,991</u>	<u>9,391,847</u>
Net position, end of year	<u>\$ 8,896,304</u>	<u>8,852,483</u>	<u>9,243,991</u>

**Financial Analysis**

The Association's total assets at June 30, 2017 of \$8,906,332 exceeded total liabilities of \$10,028 yielding total net position of \$8,896,304. The total net position showed an increase of 0.50% for the 2017 fiscal year. The primary factor contributing to the increase in total net position in fiscal year 2017 was the performance of the investment portfolio. 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. Liabilities decreased from \$94,873 at June 30, 2016 to \$10,029 at June 30, 2017, primarily due to the year-end accruals for the Karen Abraham Courtyard project in fiscal year 2016. 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 92% of total assets. The net increase in fair value of the Association's investments for fiscal year 2017 amounted to \$462,233, which is due to market performance of the Association's investments. For fiscal 2016, the fair value of the portfolio reflected a net decrease of 84,015 due to the consumption of cash for operations.

Total operating revenues were \$685,657, \$531,827, \$493,560, and for the years ended June 30, 2017, 2016, and 2015, respectively. The increase in 2017 is largely due to the receipts from the Affinity Licensing program and insurance program commissions. Non-operating revenues were \$678,019, \$108,387, and \$12,752, for the years ended June 30, 2017, 2016, and 2015, respectively. The increase in fiscal 2017, increase in fiscal 2016, and decrease in fiscal 2015, and are largely due to the performance of the investment portfolio in a market characterized

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by the change in investment advisors and market conditions. During these three years, our portfolio's performance has consistently paralleled our asset class-weighted benchmark.

Total operating and non-operating expenses for fiscal year 2017 were \$1,319,857, which represented a 28% increase in spending from the prior year. This figure includes a \$150,000 non-operating expense in University Branding. The purpose of the \$150,000 amount provided to UNM was for advertising geared to engaging UNM alumni and the overall promotion of the University. The Association also recognized a total of \$329,401 in project expenses for the Courtyard (considered non-operating).

**Factors Impacting Future Periods**

The continued uncertainty of the economy and its effect on university wide funding, contributions from donors, and the overall performance of the investment portfolio could have significant impact on the Association.

**Contacting the Association's Financial Management**

If you have any questions about this report or need additional information, contact The University of New Mexico Alumni Association at Hodgin Hall, Albuquerque, New Mexico 87131-0001.



**THE UNIVERSITY OF NEW MEXICO ALUMNI ASSOCIATION**

(A Component Unit of the University of New Mexico)

Statements of Net Position

June 30, 2017 and 2016

<b>ASSETS</b>	<b>2017</b>	<b>2016</b>
Current assets:		
Cash and cash equivalents	\$ 711,008	833,199
Investments	8,174,571	8,098,041
Accounts receivable	2,240	3,206
Prepaid items	18,513	12,910
<b>Total current assets</b>	<b>8,906,332</b>	<b>8,947,356</b>
 <b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	10,028	94,873
<b>Total current liabilities</b>	<b>10,028</b>	<b>94,873</b>
Net position:		
Unrestricted	8,896,304	8,852,483
<b>Total net position</b>	<b>\$ 8,896,304</b>	<b>8,852,483</b>

See accompanying notes to financial statements.

**THE UNIVERSITY OF NEW MEXICO ALUMNI ASSOCIATION**

(A Component Unit of the University of New Mexico)

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenues:		
Royalties	\$ 540,979	422,613
Alumni programs	135,373	100,417
Merchandise sales	9,305	8,795
<b>Total operating revenues</b>	<u>685,657</u>	<u>531,825</u>
Operating expenses:		
Alumni programs	555,086	599,548
Management and general	285,368	296,230
<b>Total operating expenses</b>	<u>840,454</u>	<u>895,778</u>
Operating loss	<u>(154,797)</u>	<u>(363,953)</u>
Nonoperating revenues:		
Contributions	5,839	7,661
Investment income	209,947	185,194
Net increase (decrease) in fair value of investments	462,233	(84,018)
<b>Total nonoperating revenues</b>	<u>678,019</u>	<u>108,837</u>
Nonoperating expenses:		
UNM Courtyard expense	(329,401)	(136,392)
Transfer out-University of New Mexico Support	(150,000)	-
<b>Total nonoperating expenses</b>	<u>(479,401)</u>	<u>(136,392)</u>
<b>Change in net position</b>	43,821	(391,508)
Net position, beginning of year	<u>8,852,483</u>	<u>9,243,991</u>
<b>Net position, end of year</b>	<u>\$ 8,896,304</u>	<u>8,852,483</u>

See accompanying notes to financial statements.

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Statements of Cash Flows

Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Cash receipts from royalties	\$ 541,945	456,988
Cash receipts from alumni programs	135,373	116,794
Cash receipts from merchandise sales	9,305	8,795
Payments to suppliers	<u>(930,902)</u>	<u>(805,278)</u>
<b>Net cash flows used by operating activities</b>	<u>(244,279)</u>	<u>(222,701)</u>
Cash flows from non-capital financing activity:		
Cash receipts from contributions	5,839	7,661
Campus improvement	(329,401)	(136,392)
Distribution to UNM	<u>(150,000)</u>	<u>-</u>
<b>Net cash flows used by non-capital financing activities</b>	<u>(473,562)</u>	<u>(128,731)</u>
Cash flows from investing activities:		
Investments purchased	(9,063,610)	(10,390,901)
Investments proceeds	9,449,313	10,404,538
Interest and dividends received	<u>209,947</u>	<u>185,194</u>
<b>Net cash flows from investing activities</b>	<u>595,650</u>	<u>198,831</u>
<b>Net decrease in cash and cash equivalents</b>	(122,191)	(152,601)
Cash and cash equivalents, beginning of year	833,199	985,800
<b>Cash and cash equivalents, end of year</b>	<u>\$ 711,008</u>	<u>833,199</u>
Reconciliation of operating loss to net cash flows from operating activities:		
Operating loss	\$ (154,797)	(363,953)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Changes in assets and liabilities:		
Accounts receivable	966	29,860
Prepaid items	(5,603)	20,890
Accounts payable	<u>(84,845)</u>	<u>90,502</u>
<b>Net cash flows used by operating activities</b>	<u>\$ (244,279)</u>	<u>(222,701)</u>

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2017 and 2016

**Note 1. Organization**

The University of New Mexico Alumni Association (the Association), a component unit of the University of New Mexico (UNM), 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 organization, 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.

**Note 2. Significant Accounting Policies and Practices**

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation.* As a component unit of the 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 non-operating.

*Net position.* Unrestricted net position represents resources whose use is not limited or restricted by donors. The unrestricted net position has arisen from exchange transactions and receipt of unrestricted contributions.

*Cash and Cash Equivalent.* 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 UNM and the University of New Mexico Foundation (UNMF).

*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.

*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

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Notes to Financial Statements

June 30, 2017 and 2016

agreements made with an unrelated party. 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.

*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. There were no pledged receivables as of June 30 2017 or 2016, respectively.

*Accounts Receivable.* Accounts receivable consist of amounts receivable for alumni activity revenues. The Association has not provided an allowance for their collectability as management considers them to be fully collectable.

*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 Alumni Association uses net asset value per share, units owned and other valuation factors to approximate fair value.

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.

*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.

*Reclassification.* Certain amounts from the prior year financial statement have been reclassified in order to conform to the current year presentation.

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Notes to Financial Statements

June 30, 2017 and 2016

**Note 3. Cash and Cash Equivalents**

**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, 2017, the Association's deposits were exposed to custodial credit risk as follows:

Insured	\$ 82,057
Uninsured	—
Reconciling items	<u>(1,654)</u>
Deposits recorded in the financial statements	80,403
Funds on deposit with UNM not subject to custodial credit risk	304,712
Money market funds not subject to custodial credit risk	259,329
Money market funds subject to custodial credit risk	66,093
Petty cash	<u>471</u>
Cash and cash equivalents per financial statements	<u><u>\$ 711,008</u></u>

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	<u>(14,735)</u>
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
Cash and cash equivalents per financial statements	<u><u>\$ 833,199</u></u>

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Notes to Financial Statements

June 30, 2017 and 2016

A detail of the cash accounts at June 30, 2017 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	\$ 35,406	(1,640)	33,766
University of New Mexico	FRS Expenditures	Cash	9,301	-	9,301
University of New Mexico	Alumni Public Agency Business investment	Cash	295,411	-	295,411
Bank of America	Savings	Cash	46,637	-	46,637
Bank of America	BA	Money Market	66,093	-	66,093
Merrill Lynch	Quasi Endowment	Cash	789	-	789
Merrill Lynch	Quasi Endowment	Money Market	239,640	-	239,640
Merrill Lynch	Additional funds	Cash	194	-	194
Merrill Lynch	Additional funds	Money Market	18,706	-	18,706
			<u>\$ 712,177</u>	<u>(1,640)</u>	710,537
Petty Cash					471
					<u>711,008</u>

A detail of the cash accounts at June 30, 2016 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	\$ 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
			<u>\$ 847,934</u>	<u>(14,735)</u>	<u>833,199</u>

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

June 30, 2017 and 2016

**Note 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.

A detail of the investment accounts at June 30, 2017 is included below:

<u>Name of depository</u>	<u>Account name</u>	<u>Account type</u>	<u>Account balance</u>
Merrill Lynch	Alternatives	Corporate Stock	\$ 405,014
Merrill Lynch	Additional	Corporate Stock	440,269
Merrill Lynch	UNM Alumni CMS	Alternative Investments	7,329,288
			<u>\$ 8,174,571</u>

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	955,360
		and Mutual Funds	
Merrill Lynch	Western Core	Mutual Funds and	1,377,466
		Fixed Income	
Merrill Lynch	Lord Abbott	Fixed Income	1,463,929
Merrill Lynch	Alternatives	Alternative Investments	371,594
			<u>\$ 8,098,041</u>



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

Notes to Financial Statements

June 30, 2017 and 2016

*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, 2017, and the Association's exposure to custodial credit risk is as follows:

	<b>2017</b>
Custodial credit risk:	
Corporate Stock	\$ 4,089,449
Government Securities	1,699,556
Corporate Bonds	587,416
Alternative Investments	405,014
Other Bonds	10,987
Total investments held by custodians	6,792,422
Investments not subject to custodial credit risk:	
Mutual Funds	1,382,149
	\$ 8,174,571

A summary of the investments held by the Association at June 30, 2016, 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

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*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, 2017 and 2016, the Association did not have any investments in one issuer that represented more than 5% of total investments, except as noted below:

	<b>2017</b>	<b>2016</b>
PIMCO Total Return II Institutional	\$ —	—
Blackrock Multi Asset Inc Portfolio A	—	—
Certificates of deposit with Bank of the West	—	—
SPDR S&P 500 ETF	—	—
US Treasury Note	—	474,640

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June 30, 2017 and 2016

*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.

A summary of the investments held by the Association and the respective maturities at June 30, 2017, and the exposure to interest rate risk is as follows:

	<b>2017 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	\$1,126,433	\$ 107,931	\$ 904,379	\$ 31,569	\$ 82,554
Mortgage/Asset Backed Bonds	725,026	—	145,883	20,222	558,921
Corporate Bonds	381,719	42,914	238,592	100,213	—
Other Bonds	64,781	—	64,781	—	—
	<u>2,297,959</u>	<u>\$ 150,845</u>	<u>\$ 1,353,635</u>	<u>\$ 152,004</u>	<u>\$ 641,475</u>
Not subject to interest rate risk:					
Corporate Stock	4,089,449				
Mutual Funds - other than fixed income	1,382,149				
Alternative Investments	405,014				
Total investments	<u>\$ 8,174,571</u>				

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June 30, 2017 and 2016

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

	2016 Investment maturities				
	Fair value	Less than one year	1–5 years	6–10 years	More than 10 years
At interest rate risk:					
Government Securities	\$ 1,213,305	\$ -	\$ 1,026,361	\$ -	\$ 186,944
Mortgage/Asset Backed Bonds	713,827	—	126,651	27,011	560,165
Corporate Bonds	444,266	64,352	178,715	82,753	118,446
Other Bonds	33,184	—	33,184	—	—
	<u>2,404,582</u>	<u>\$ 64,352</u>	<u>\$ 1,364,911</u>	<u>\$ 109,764</u>	<u>\$ 865,555</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>				

**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.

A summary of the Foundation's investments at June 30, 2017 and 2016.

June 30, 2017						
Credit Rating	Government and Federal Agency Obligations	Mortgage/Ass et Backed	Corporate Bonds	Other Bonds	Total	Percentage of bond portfolio
AAA	\$ -	\$ 145,883	-	-	\$ 145,883	6%
AA+	118,662	-	-	-	118,662	5%
A	-	-	15,746	-	15,746	1%
A-	-	-	111,726	32,047	143,773	6%
AA-	-	-	25,103	-	25,103	1%
BBB+	-	-	169,700	32,735	202,435	9%
BBB	-	-	59,443	-	59,443	3%
BBB-	-	-	-	-	-	0%
Not Rated	-	579,143	-	-	579,143	25%
U.S. Government Guaranteed	1,007,770	-	-	-	1,007,770	44%
Total	<u>1,126,432</u>	<u>725,026</u>	<u>381,718</u>	<u>64,782</u>	<u>2,297,958</u>	<u>100%</u>

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Notes to Financial Statements

June 30, 2017 and 2016

June 30, 2016

Credit Rating	Government and Federal				Total	Percentage of bond portfolio
	Agency Obligations	Mortgage/Asset Backed	Corporate Bonds	Other Bonds		
AAA	\$ -	\$ 120,287	\$ -	\$ -	\$ 120,287	6%
AA+	121,981	-	-	-	121,981	5%
A	-	-	26,212	-	26,212	1%
A-	-	-	16,253	-	16,253	6%
AA-	-	-	100,136	-	100,136	1%
BBB+	-	-	181,983	33,184	215,167	9%
BBB	-	-	102,520	-	102,520	3%
BBB-	-	-	17,162	-	17,162	0%
Not Rated	-	593,540	-	-	593,540	25%
U.S. Government Guaranteed	1,091,324	-	-	-	1,091,324	44%
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%</u>

*Foreign Currency Risk.* The Association did not hold any investments that were subject to foreign currency risk at June 30, 2017 or 2016.

*Net Decrease in Fair Value of Investments.* During the years ended June 30, 2017 and 2016, the Association experienced realized and unrealized gains, net on investments held as outlined below:

	<u>2017</u>	<u>2016</u>
Realized gain	\$ 52,096	\$ 26,049
Unrealized gain (loss)	410,137	(110,067)
	<u>\$ 462,233</u>	<u>\$ (84,018)</u>

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June 30, 2017 and 2016

*Fair Value Measurement* – The Alumni 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.
- *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 Alumni Association considers the reasonableness of the NAV, based on market information, to arrive at the fair value estimates for each investment.

The Alumni Association has the following recurring fair value measurements as of June 30, 2017:

	<b>June 30, 2017</b>			
	<b>Total Fair Value</b>	<b>(Level 1)</b>	<b>(Level 2)</b>	<b>(Level 3)</b>
Investments held by the Alumni Association:				
Corporate Stock	\$ 4,089,449	\$ 4,089,448	\$ -	\$ -
Government Securities	1,699,556	—	1,699,556	—
Mutual Funds	1,382,149	1,382,149	—	—
Corporate Bonds	587,416	—	587,415	—
Other Bonds	10,987	—	10,987	—
<b>Total investments subject to leveling</b>	<u>\$7,769,557</u>	<u>\$ 5,471,597</u>	<u>\$ 2,297,959</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV):				
Alternative Investments				
Private Equity Funds	243,466			
Hedge Funds	161,548			
<b>Total investments</b>	<u>\$ 8,174,571</u>			

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

June 30, 2017 and 2016

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

	<b>June 30, 2016</b>			
	<b>Total Fair Value</b>	<b>(Level 1)</b>	<b>(Level 2)</b>	<b>(Level 3)</b>
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	—
<b>Total investments subject to leveling</b>	<u>7,726,447</u>	<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			
<b>Total investments</b>	<u>\$ 8,098,041</u>			

**Note 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 Board of Directors. The Association Board-designated endowment of \$7,000,000 is accounted for and included under unrestricted net position.

**Note 6. Courtyard Gift**

On September 1, 2016, the Association entered into a memorandum of agreement with Regents of the University of New Mexico to refurbish an existing courtyard on UNM campus. These expenses amounted to \$329,401 and \$136,392 as of June 30, 2017 and 2016, respectively. The project was completed in June 2017.

**Note 7. University of New Mexico Support**

In October 2016, the Association committed to donate \$150,000 to the UNM re-branding, with an additional committed of \$150,000 for re-branding 2018, and an additional \$200,000 for University Support. The Association's total 2018 commitment to support of the University in these two areas will be \$350,000.

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Notes to Financial Statements

June 30, 2017 and 2016

**Note 8. 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, 2017 and 2016, the Association had unrestricted balances on deposit with UNMF of \$9,307 and \$3,562, respectively.

In addition, UNM/UNMF Endowment Program holds endowment funds and related expendable income funds, which have been contributed for the benefit of the Association. The principal balances amounted to \$888,488 and \$828,412 as of June 30, 2017 and 2016, respectively. A portion of the earnings from the funds, in the amount of \$31,064 and \$32,542, respectively, were allocated to the UNM spending accounts for student scholarships awarded by the Association, as stipulated by the donor. UNMF estimates quarterly earnings for the first three quarters. The final annual allocation was determined and adjustments were made in the fourth quarter allocation on June 30. The principal endowment balances disclosed herein are not recorded in the Association's financial statements.

Risk disclosure information relating to the Foundation's investments in the Combined Investment Fund (CIF) may be obtained by reference to the annual financial report of UNM. That report may be obtained by contacting the Controller's office at UNM Business Center, 1700 Lomas NE, Albuquerque, New Mexico 87131-0311.

**Note 9. 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.



**Report of Independent Auditors 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, 2017, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 13, 2017.

**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*. The results of our tests and those of the other auditors disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2017-001.

### **University of New Mexico Alumni Association's Response to Findings**

The University of New Mexico Alumni Association's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The University of New Mexico Alumni Association's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.

*Mess Adams LLP*

Albuquerque, New Mexico  
September 13, 2017

**THE UNIVERSITY OF NEW MEXICO ALUMNI ASSOCIATION**  
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Schedule of Prior Year Findings

June 30, 2017 and 2016

2016-001 Investments-Related Balances- RESOLVED

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

2016-002 Year-End Procedures- RESOLVED

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, 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.

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Schedule of Findings and Responses

June 30, 2017 and 2016

2017-001 University Policy Compliance – findings that do not rise to the level of a significant deficiency

*Condition:* A decision was made to renovate and beautify the courtyard area in front of Hodgin Hall, by the UNM Alumni Association in 2015. The courtyard project was financed with the UNM Alumni Association unrestricted funds. The Alumni Association is a 501(c)(3) organization and a separate legal entity from the UNM and therefore the State procurement code requirements would not be applicable for the UNM Alumni Association's courtyard renovation project. However, according to the Regent's Policy Manual Section 7.12, the Board of Regents must approve construction projects on campus costing more than \$300,000. While the UNM Alumni Association got Board of Regents approval for the renaming of the courtyard prior to the start of any renovations, the Alumni Association did not obtain Board of Regents approval for the renovation until September 1, 2016, approximately 6 months into the project.

*Criteria:* All organizations should follow established procedures to comply with internal policies.

*Effect:* The lack of compliance with internal policies and procedures could result in a lack of accountability and unauthorized transactions.

*Cause:* The Board of Regents did not approve the renovation prior to the start of the project.

*Recommendation:* We recommend that in the future, the Alumni Association follow Regents' Policy 7.12, and seek Board of Regents' approval on projects costing more than \$300,000.

*Management's Response:* The Alumni Association concurs with the recommendation. In the future, the Alumni Association will follow Regents' Policy 7.12, and will obtain the Board of Regents' approval for any construction projects. The Executive Director of the Alumni Association will coordinate with the appropriate University project management personnel at the beginning of any construction projects which may be considered and obtain a timeline and proposed cost which will then be presented to the Board of Regents in advance for review and approval. At this time, no construction projects are anticipated in the near future.

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Exit Conference

June 30, 2017 and 2016

An exit conference was held on September 13, 2017. 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

Harold Lavender, President, Alumni Association

James Lewis, Immediate Past-President, Alumni Association

Daniel Trujillo, Treasurer, Alumni Association

Joe Ortiz, Audit Committee Member, Alumni Association

Jessica Hyden, Accountant 3, Office of the President

Jane Algermissen, Office Manager, Office of Alumni Relations

Bill Dolan, Chair of the Finance Committee

**Moss Adams LLP**

Lisa Todd, Partner

Jenni Littlefield-McGaughey, Senior

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