

UNM LOBO CLUB
(A Component Unit of
the University of New
Mexico)

FINANCIAL STATEMENTS

JUNE 30, 2010

TABLE OF CONTENTS

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)

OFFICIAL ROSTER.....	1
INDEPENDENT AUDITORS' REPORT.....	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS	
Balance Sheets	8
Statements of Revenues, Expenses and Changes in Net Assets	9
Statements of Cash Flows	10
Notes to Financial Statements	11
SUPPLEMENTARY INFORMATION	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	17
Schedule of Findings and Responses	19
Exit Conference.....	32

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
Official Roster
June 30, 2010

OFFICERS

Mr. Bruce Beebe, President
Mr. Robert Robeda, President-Elect
Mr. Scott Creagan, Immediate Past President
Mr. Ryan Mummert, Vice President
Mr. Ben Darwin, Vice President
Ms. Anndee Wright Brown, Vice President
Mr. J.C. Lopez, Vice President
Mr. Bill Cates, Secretary

COMMITTEE CHAIRS

Mr. Ryan Mummert, Finance Chair

EXECUTIVE DIRECTOR

Mr. David Sabolcik

DIRECTORS

Mr. Jason Anderson	Mr. Randy Eastburg
Mr. Del Archuleta	Ms. Lisa Eden
Mr. Dale Armstrong	Mr. Adam Harrington
Mr. Scott Creagan	Mr. Bruce Hoover
Mr. Bruce Beebe	Mr. Mark Leshner
Mr. Noel Behne	Mr. J.C. Lopez
Mr. RJ Berry	Ms. Cindy McGill
Ms. Margaret Branch	Mr. Bill Michael
Ms. Andee Wright Brown	Mr. Ryan Mummert
Mr. Norm Burns	Mr. Gordon Noonan
Mr. Bill Cates	Mr. Neal Piltch
Mr. Ben Darwin	Mr. Robert Robeda
Mr. Pat Dee	Mr. Nestor Romero
Mr. Don Duke	Mr. Mike Rozenblum
	All Past Presidents

EX-OFFICIO DIRECTORS

Mr. Paul Krebs

HONORARY LIFETIME MEMBERS

Mr. John Brooks	Ms. Lynn Mosher
Ms. Yvonne Moise	Mr. Rod Shoemaker

Independent Auditors' Report

The Board of Directors
UNM Lobo Club
and
Hector H. Balderas
New Mexico State Auditor

We have audited the accompanying basic financial statements of the UNM Lobo Club, a component unit of the University of New Mexico, (Lobo Club) as of June 30, 2010 and May 31, 2009 and for the 13 months ended June 30, 2010 and year ended May 31, 2009, as listed in the table of contents. These financial statements are the responsibility of the Lobo Club's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Lobo Club's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lobo Club at June 30, 2010 and May 31, 2009, and the changes in its financial position and its cash flows for the 13 months ended June 30, 2010 and year ended May 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2010 on our consideration of the Lobo Club'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 Board of Directors
UNM Lobo Club
and
Hector H. Balderas
New Mexico State Auditor

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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Mess Adams LLP

Albuquerque, New Mexico
October 14, 2010

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

This management's discussion and analysis (MD&A) of UNM Lobo Club (Lobo Club) provides an overview of the Lobo Club's financial performance for the fiscal years periods ended June 30, 2010 and May 31, 2009 and 2008. Effective for the 2010 fiscal year, the Lobo Club changed its fiscal year end from May 31, to June 30. As a result, the information for 2010 includes 13 months.

Overview of the Basic Financial Statements

The balance sheets of the Lobo Club provide both long-term and short-term information about the Lobo Club's overall financial position. The statements of revenues, expenses and changes in net assets provide information about the operating revenues and expenses and the nonoperating revenues of the Lobo Club. The statements of cash flows provide information about the sources and uses of cash by the Lobo Club. The notes to the basic financial statements provide more detailed information about amounts reported in the basic financial statements.

Reporting the Lobo Club's Activities

Financial Information

The Lobo Club's condensed financial information as of and for the 13 months ended June 30, 2010 and years ended May 31, 2009 and 2008 are provided in the following table:

Condensed Financial Information

	2010	2009	2008
Current assets	\$ 4,531,012	5,107,589	5,077,961
Capital assets	393	2,091	2,933
Total assets	<u>\$ 4,531,405</u>	<u>5,109,680</u>	<u>5,080,894</u>
Current liabilities	<u>\$ 4,339,302</u>	<u>4,193,729</u>	<u>3,520,808</u>
Net assets			
Invested in capital assets	393	2,091	2,933
Restricted expendable - McDavid			
Lounge and Zia Club	35,943	37,843	26,216
Unrestricted	<u>155,767</u>	<u>876,017</u>	<u>1,530,937</u>
Total net assets	<u>192,103</u>	<u>915,951</u>	<u>1,560,086</u>
Total liabilities and net assets	<u>\$ 4,531,405</u>	<u>5,109,680</u>	<u>5,080,894</u>

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2010

	2010	2009	2008
Operating Revenues			
Grants, bequests and contributions	\$ 4,787,628	5,081,201	4,851,451
Special events and other	<u>123,012</u>	<u>200,486</u>	<u>243,329</u>
Total operating revenues	<u>4,910,640</u>	<u>5,281,687</u>	<u>5,094,780</u>
Operating Expenses			
General and administrative	356,621	287,488	193,452
Program expenses	<u>5,331,667</u>	<u>5,738,413</u>	<u>4,943,098</u>
Total operating expenses	<u>5,688,288</u>	<u>6,025,901</u>	<u>5,136,550</u>
Operating loss	(777,648)	(744,214)	(41,770)
Nonoperating revenue	<u>53,800</u>	<u>100,079</u>	<u>187,093</u>
Change in net assets	(723,848)	(644,135)	145,323
Net assets, beginning of year	<u>915,951</u>	<u>1,560,086</u>	<u>1,414,763</u>
Net assets, end of year	\$ <u>192,103</u>	<u>915,951</u>	<u>1,560,086</u>

Summary of Net Assets

Assets

A majority of the June 30, 2010, and May 31, 2009 and 2008 assets are in the form of cash in the amount of \$4,385,722, \$4,835,390 and \$4,832,669, respectively. As of June 30, 2010, \$4,089,809 is on deposit with The University of New Mexico (UNM), \$295,413 is in an operating bank account at First State Bank, and \$500 is maintained in the form of petty cash. As of May 31, 2009, \$4,444,728 is on deposit with The University of New Mexico (UNM), \$390,162 is in an operating bank account at First State Bank, and \$500 is maintained in the form of petty cash. As of May 31, 2008, \$4,654,051 is on deposit with The University of New Mexico (UNM), \$178,118 is in an operating bank account at First State Bank, and \$500 is maintained in the form of petty cash.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2010

Liabilities

A majority of the liabilities are in the form of a payable due to UNM for unrestricted donations in the amount of \$3,132,615, \$3,383,043 and \$2,692,100 as of June 30, 2010, and May 31, 2009 and 2008, respectively, and purpose restricted donations of \$85,152, \$60,680 and \$52,139 as of June 30, 2010, and May 31, 2009 and 2008, respectively.

Net Assets

The net assets consist mostly of unrestricted assets totaling \$155,767, \$876,017 and \$1,530,937 at June 30, 2010, and May 31, 2009 and 2008, respectively.

Summary of Revenues, Expenses and Changes in Net Assets

Revenues

A majority of the June 30, 2010 revenues are operating revenues consisting of contributions in the amount of \$4,787,628, including \$3,375,904 of contributions and \$1,523,097 of gift-in-kind contributions. Contribution revenues decreased \$293,573 from the prior year amount of \$5,081,201.

A majority of the May 31, 2009 revenues are operating revenues consisting of contributions in the amount of \$5,081,201, including \$3,574,773 of contributions and \$1,506,428 of gift-in-kind contributions. Contribution revenues increased \$277,625 from the prior year amount of \$4,851,451.

A majority of the May 31, 2008 revenues are operating revenues consisting of contributions in the amount of \$4,851,451, including \$3,317,541 of contributions and \$1,533,910 of gift-in-kind contributions. Contribution revenues increased \$1,151,006 from the prior year amount of \$3,700,445.

Expenses

Total expenses for 13 months ended June 30, 2010 are composed of \$356,621 in general and administrative expenses and \$5,331,667 in program expenses. Total expenses for fiscal year 2009 are composed of \$287,488 in general and administrative expenses and \$5,738,413 in program expenses. Total expenses for fiscal year 2008 are composed of \$193,452 in general and administrative expenses and \$4,943,098 in program expenses. Total expenses decreased \$337,613 over the prior year primarily due to a decrease in program expenses of \$406,746.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2010

Change in Net Assets

Net assets decreased \$723,848 to \$192,103 at June 30, 2010 from \$915,951 at May 31, 2009. Net assets increased \$644,135 to \$915,951 at May 31, 2009 from \$1,414,763 at May 31, 2008. The decrease is due to operating loss of \$777,648 offset by interest income of \$53,800. Net assets increased \$145,323 to \$1,560,686 at May 31, 2008 from \$1,414,763 at May 31, 2007. The increase is due to operating loss of \$744,214 offset by interest income of \$100,079.

UNM is the fiscal agent of the Lobo Club. UNM holds the majority of the Lobo Club's net assets in the form of deposits and invests the holdings in a commingled account with UNM's other investments. A pro-rata share of interest earnings is credited to the Lobo Club's account monthly.

Capital Assets and Long-Term Debt Administration Capital Assets

Capital Assets

The Lobo Club's capital assets consist of office furniture and personal computers. The total asset value as of June 30, 2010 is \$36,010, of which \$35,617 has been depreciated resulting in a remaining asset value of \$393. The Lobo Club's capital assets consist of office furniture and personal computers. The total asset value as of May 31, 2009 is \$36,010 of which \$33,919 has been depreciated resulting in a remaining asset value of \$2,091. The total asset value as of May 31, 2008 is \$36,010 of which \$33,077 has been depreciated resulting in a remaining asset value of \$2,933.

Long-Term Debt

The Club currently has no long-term debt.

Contacting the Lobo Club's Financial Management

This report is meant to describe the financial condition and position of the Club.

If you have questions about this report or need additional financial information, contact UNM Lobo Club at Department of Athletics, MSC04 2680, 1 University of New Mexico, Albuquerque, NM 87131.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
BALANCE SHEETS
June 30, 2010 and May 31, 2009

ASSETS	June 30,	May 31,
	2010	2009
Current Assets		
Cash and cash equivalents	\$ 4,385,722	4,835,390
Accounts receivable, net	143,606	270,515
Other current assets	1,684	1,684
Total current assets	<u>4,531,012</u>	<u>5,107,589</u>
Noncurrent Assets		
Capital assets, net		
Equipment and furnishings	393	2,091
Total assets	<u>\$ 4,531,405</u>	<u>5,109,680</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 47,550	25,615
Due to The University of New Mexico - unrestricted donations	3,132,615	3,383,043
Due to The University of New Mexico - restricted donations	37,602	60,680
Deferred income	1,121,535	724,391
Total current liabilities	<u>4,339,302</u>	<u>4,193,729</u>
Net Assets		
Invested in capital assets	393	2,091
Restricted expendable - McDavid Lounge and Zia Club	35,943	37,843
Unrestricted	155,767	876,017
Total net assets	<u>192,103</u>	<u>915,951</u>
Total liabilities and net assets	<u>\$ 4,531,405</u>	<u>5,109,680</u>

See Notes to Financial Statements.

UNM LOBO CLUB**(A Component Unit of the University of New Mexico)****STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS****13 Months Ended June 30, 2010 and Year Ended May 31, 2009**

	June 30, 2010	May 31, 2009
Operating Revenues		
Grants, bequests, and contributions	\$ 4,787,628	5,081,201
Special events	88,132	176,306
Other operating revenues	34,880	24,180
Total operating revenues	<u>4,910,640</u>	<u>5,281,687</u>
Operating Expenses		
General and administrative	356,621	287,488
Program expense	5,331,667	5,738,413
Total operating expenses	<u>5,688,288</u>	<u>6,025,901</u>
Operating loss	(777,648)	(744,214)
Nonoperating Revenue		
Investment income	<u>53,800</u>	100,079
Change in net assets	(723,848)	(644,135)
Net assets, beginning of year	<u>915,951</u>	1,560,086
Net assets, end of year	<u><u>\$ 192,103</u></u>	<u>915,951</u>

See Notes to Financial Statements.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
STATEMENTS OF CASH FLOWS
13 Months Ended June 30, 2010 and Year Ended May 31, 2009

	June 30, 2010	May 31, 2009
Cash Flows from Operating Activities		
Receipts from members and others	\$ 3,928,266	3,754,813
Payments to the University of New Mexico	(3,458,658)	(2,661,196)
Payments to vendors	(973,076)	(1,190,975)
Net cash used by operating activities	(503,468)	(97,358)
Cash Flows from Investing Activities		
Investment income	53,800	100,079
Net (decrease) increase in cash and cash equivalents	(449,668)	2,721
Cash and cash equivalents, beginning of year	4,835,390	4,832,669
Cash and cash equivalents, end of year	\$ 4,385,722	4,835,390
Reconciliation of operating loss to net cash provided (used) by operating activities		
Operating loss	\$ (777,648)	(744,214)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities		
Depreciation expense	1,698	842
Changes in assets and liabilities		
Accounts receivable	126,909	(30,504)
Other current assets	-	3,597
Accounts payable	21,935	(36,620)
Deferred income	397,144	10,057
Due to The University of New Mexico	(273,506)	699,484
Net cash used by operating activities	\$ (503,468)	(97,358)

See Notes to Financial Statements.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1. ORGANIZATION

The UNM Lobo Club (Lobo Club) was established to operate as a fund-raising entity in support of the Athletic Department Program at the University of New Mexico (UNM). A board of directors, elected by the membership, is responsible for its operations. The day-to-day management is the responsibility of the Lobo Club's Executive Director, who is appointed by the Lobo Club's board of directors and UNM.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Effective for the 2010 fiscal year, the Lobo Club changed its fiscal year end from May 31, to June 30. As a result, the information for 2010 includes 13 months.

Basis of Accounting and Presentation. The accompanying basic financial statements include only the accounts of the Lobo Club which has no component units.

The Lobo Club's basic financial statements comply with the accounting disclosure and reporting requirements under Governmental Accounting Standards Board (GASB) pronouncements, as the Lobo Club meets criteria of a governmental entity.

As required by GASB No. 14, *The Financial Reporting Entity*, the Lobo Club is a discretely presented component unit of UNM. The Lobo Club has no component units. The Lobo Club applies enterprise fund accounting and the Lobo Club's basic financial statements are reported using a flow of economic resources measurement focus and the accrual basis of accounting. Accordingly, revenues are recognized when they are earned and expenses are recognized as soon as the liability is incurred.

Pursuant to GASB No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Lobo Club has elected to apply relevant pronouncements of the Financial Accounting Standards Board (FASB), (excluding those issued after November 30, 1989), except those that conflict with GASB pronouncements.

Operating revenues and expenses are those incurred that relate directly to fund-raising activities, as these activities constitute the Lobo Club's principal ongoing operations. All other revenues and expenses are considered nonoperating.

Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents. Cash and cash equivalents consist of cash deposits and an agency account held by The University of New Mexico.

Capital Assets. The Lobo Club's capital assets consist of equipment including related software and furnishings. The Lobo Club's policy is to capitalize all disbursements for equipment and furnishings in excess of \$500. Items with a cost of less than \$500 are expensed in the year of acquisition. Donated equipment is recorded at fair market value at the date of donation. Repairs and maintenance expenses are charged to operations when incurred and major improvements and replacements are capitalized. Depreciation is provided for on furniture, fixtures, and equipment using the straight-line basis over estimated useful lives of five to ten years.

Revenue Recognition. The Lobo Club recognizes revenue from grants, bequests, and contributions when all applicable eligibility requirements are met. All purpose-restricted contributions are reported as increases in restricted net assets are reclassified to unrestricted net assets. Promises to give (pledges) are recorded at net realizable value. Deferred revenue represents revenue received for which applicable eligibility requirements have not been met.

Income Taxes. The Lobo Club operates as a not-for-profit corporation and has received exempt status under Section 501(c)(3) of the Internal Revenue Code. It has not been classified as a private foundation by the Internal Revenue Service. No provision for income taxes for unrelated business income was necessary for the 13 months ended June 30, 2010 or year ended May 31, 2009 and 2008.

Net Assets.

Invested in Capital Assets – represent the Lobo Club's total investment in capital assets, net of accumulated depreciation.

Restricted Net Assets – represent those operating funds on which external restrictions have been imposed that limit the purposes for which such funds can be used. Restricted expendable net assets are resources that the Lobo Club is legally or contractually obligated to spend in accordance with imposed restrictions by third parties. Generally, restrictions imposed relate to contributions where the donor specifies certain sports facilities that the contribution can be used to maintain or improve.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unrestricted Net Assets – consist of those operating funds over which the Lobo Club retains full control to use in achieving any of its authorized purposes.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Lobo Club's policy is to first apply the expense toward restricted resources, and then toward unrestricted resources.

Gifts-In-Kind. Gifts-in-kind are recorded at estimated fair market value at the date of donation to the extent membership benefits are provided to the donor. Gifts-in-kind for which the Lobo Club acts as an agent are transferred directly to the UNM Athletic Department and are reflected only as pass-through activity in the accompanying basic financial statements.

NOTE 3. THE UNIVERSITY OF NEW MEXICO TRANSACTIONS

The Lobo Club operates for the sole purpose of soliciting, managing, and distributing private gifts and donations given for the benefit of the UNM Athletic Department Program. On May 25, 1993, UNM and the Lobo Club entered into a Memorandum of Agreement in which, effective July 1, 1993, all Lobo Club employees became UNM Employees. The Memorandum of Agreement was modified on May 16, 2003 and did not have a significant impact on the operations of the Lobo Club. The Lobo Club's employees are paid by UNM and they participate in UNM's employee benefit programs. Amounts due to UNM at June 30, 2010 and May 31, 2009 for the Lobo Club's employees' salaries and related benefits are reflected in the Due to the University of New Mexico balance in the balance sheets. Salary and related benefit expenditures are reflected as general and administrative expenses in the statements of revenues, expenses and changes in net assets. The agreement can be terminated by either party, at which time the Lobo Club's assets would revert to UNM. As a fund-raising entity operating solely in support of the UNM Athletic Department Program, the Lobo Club is provided with office facilities at the UNM Athletic Complex, equipment, and certain other support at no charge. Revenues and expenses have not been recorded in the accompanying basic financial statement for this office space, equipment, or other support services.

The Lobo Club authorized final cash contributions for unrestricted donations of \$3,100,000 and \$3,300,000 to the UNM Athletic Department Program for the 13 months ended June 30, 2010 and year ended May 31, 2009, respectively. This contribution is included in the amounts reported as Due to The University of New Mexico in the balance sheets and reflected as a program expense in the statements of revenues, expenses, and changes in net assets.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 3. THE UNIVERSITY OF NEW MEXICO TRANSACTIONS
(CONTINUED)

As fiscal agent for the Lobo Club, UNM disburses funds to vendors and employees on behalf of the Lobo Club. The Lobo Club reimburses UNM for such disbursements. As of June 30, 2010 and May 31, 2009, the Lobo Club has accrued \$32,615 and \$83,043, respectively, in Due to University of New Mexico unrestricted. These donations are payable to the UNM Athletic Department when received and typically paid after each fiscal year-end. As of June 30, 2010 and May 31, 2009, the Lobo Club has accrued \$85,152 and \$60,680, respectively, in purpose-restricted donations included in the amounts reported as Due to the University of New Mexico restricted donations in the balance sheets.

During the 13 months ended June 30, 2010 and year ended May 31, 2009, the Lobo Club generated pass-through gifts-in-kind of advertising and media services, automobile leases, food, and meeting facilities, among other items, which were valued at \$1,523,097 and \$1,506,428, respectively, and were primarily for the benefit of the UNM Athletic Department. These gifts-in-kind are included in grants, bequests, and contribution revenue and program expenses in the accompanying basic financial statements because the Lobo Club provides membership benefits to the contributors in return for the in-kind gifts.

NOTE 4. RECEIVABLES

Receivables consist of the following:

	2010	2009
Promises to give (pledges)	\$ 238,069	380,657
Amounts due from individuals and corporations for special events	28,690	14,935
University of New Mexico Foundation (due to)	<u>1,030</u>	<u>1,030</u>
	267,789	396,622
Allowance for uncollectable pledges	<u>(111,373)</u>	<u>(126,107)</u>
Total	<u>\$ 156,416</u>	<u>270,515</u>

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 5. CAPITAL ASSETS

A summary of the Lobo Club's capital assets at June 30, 2010 is as follows:

	Beginning of Year	Increase	Decrease	End of Year
Capital assets being depreciated – equipment and furnishings	\$ 36,010	-	-	36,010
Accumulated depreciation	(33,919)	(1,698)	-	(35,617)
Capital assets, net	\$ 2,091	(1,698)	-	393

A summary of the Lobo Club's capital assets at May 31, 2009 is as follows:

	Beginning of Year	Increase	Decrease	End of Year
Capital assets being depreciated – equipment and furnishings	\$ 36,010	-	-	36,010
Accumulated depreciation	(33,077)	(842)	-	(33,919)
Capital assets, net	\$ 2,933	(842)	-	2,091

NOTE 6. CASH

The Lobo Club has \$4,089,809 and \$4,444,728 on deposit with UNM at June 30, 2010 and May 31, 2009, respectively. UNM deposits are held in demand and time accounts at local financial institutions. New Mexico state statutes require financial institutions to pledge qualifying collateral to UNM to cover at least 50% of the uninsured deposits. However, UNM, as fiscal agent, requires the financial institution holding these funds to maintain minimum collateral requirements of 100%.

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 Lobo Club had \$626,709 and \$698,188 on deposit with a local financial institution at June 30, 2010 and May 31, 2009, respectively. These balances were insured by the Federal Deposit Insurance Corporation up to \$250,000 for 2010 and 2009, respectively. The uninsured amount at risk as of June 30, 2010 and May 31, 2009 was \$45,413 and \$448,188, respectively. The Lobo Club does not require collateral on its cash deposits.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 6. CASH (CONTINUED)

A detail of the cash accounts at June 30, 2010 is included below:

Name of Depository	Account Name	Account Type	Bank Balance	Reconciling Items	Reconciled Balance
Petty cash	-	-	\$ 500	-	500
First Community Bank	Operating	Cash	16,300	(331,296)	(314,996)
First Community Bank	Operating	Sweep	610,409	-	610,409
University of New Mexico	Agency Account	Cash	<u>4,087,274</u>	<u>2,535</u>	<u>4,089,809</u>
			<u>\$ 4,714,483</u>	<u>(328,761)</u>	<u>4,385,722</u>

NOTE 7. RELATED PARTY TRANSACTIONS

The Lobo Club received \$216,973 and \$427,328 in contributions from Board Members for the 13 months ended June 30, 2010 and year ended May 31, 2009, respectively. In addition, the Club purchased goods and services of companies that Board Members are employed by in the amount of \$9,460 and \$13,163 for the 13 months ended June 30, 2010 and year ended May 31, 2009, respectively.

NOTE 8. CONTINGENCIES

The Lobo Club, through UNM, participates in the State of New Mexico Risk Management Program (Risk Management) that provides general liability, auto liability, physical damage and workers' compensation insurance. The Risk Management program liability insurance coverage includes most employee liability claims; those claims falling outside this state program are in limited amounts and are covered by UNM from its operating budget. UNM's exposure is limited to \$1,000 per any first party incurred property loss, with the exception of theft, which has a \$5,000 deductible.

**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
UNM Lobo Club
and
Hector H. Balderas
New Mexico State Auditor

We have audited the basic financial statements of the UNM Lobo Club, a component unit of the University of New Mexico, (Lobo Club) as of and for the 13 months ended June 30, 2010, and have issued our report thereon dated October 11, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Lobo Club's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lobo Club's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Lobo Club's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 a combination of deficiencies, in internal control such that there is a reasonable

The Board of Directors
UNM Lobo Club
and
Hector H. Balderas
New Mexico State Auditor

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 deficiencies described in the accompanying schedule of findings and responses as item 09-01 to be a material weakness.

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 consider the deficiencies described in the accompanying schedule of findings and responses as items 09-02, 09-05 and 10-01 to 10-06.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lobo Club's financial statements are free of material misstatement, we performed tests of its compliance with certain provision 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 Lobo Club's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Lobo Club's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, and the New Mexico State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Mess Adams LLP

Albuquerque, New Mexico
October 14, 2010

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2010

PRIOR YEAR FINDINGS

09-01	Financial Statements and General Ledger Closing Process	Revised and Repeated
09-02	General Ledger Access	Revised and Repeated
09-03	Credit Card Privacy	Resolved
09-04	Pledge Card Information	Resolved
09-05	Agency Account Reconciliation	Repeated

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
June 30, 2010

CURRENT YEAR FINDINGS

**09-01 Financial Statements and General Ledger Closing
Process – Material Weakness**

CONDITION

The Lobo Club's interim financial statements did not include all the necessary adjustments to provide financial statements comparable to the audited financial statements distributed to outside users and in accordance with generally accepted accounting principles (GAAP). There were eleven journal entries proposed to convert the Lobo Club's trial balance to the accrual basis of accounting.

CRITERIA

The Governmental Accounting Standards Board, *Codification of Governmental Accounting and Financial Reporting Standards (GASB)*, Section 1100 requires governments to prepare financial statements on the modified accrual basis for governmental type funds and full accrual basis for enterprise type funds.

CAUSE

It is apparent that the vacancy of the Financial Coordinator position caused inconsistencies in the posting of financial information. In addition, we noted the Lobo Club's accounting policies and procedures manual was created years ago and has been supplemented over the years and mainly focuses on how to process transactions through software utilized by the Club. We noted that some of the procedures are no longer being followed or have been superseded and that formal review and new processes have not been documented.

EFFECT

The Lobo Club may not have the ability to prevent and detect material misstatements in their financial statements and could result in conflicting information for management and outside users.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
June 30, 2010

CURRENT YEAR FINDINGS (CONTINUED)

**09-01 Financial Statements and General Ledger Closing
Process – Material Weakness (Continued)**

RECOMMENDATION

We recommend that the Lobo Club review and update its accounting policies and procedures manual. This should include a review of the content of the audit adjustments made to the year-end statements and incorporate many of them into the monthly closing process and convert their trial balance to the applicable generally accepted basis prior to the audit.

MANAGEMENT'S RESPONSE

The Lobo Club hired a Financial Coordinator subsequent to year end and is in the process of reviewing and updating its accounting policies and procedures manual. This policies and procedures manual will include a monthly closing process and require supporting documentation of monthly journal entries in QuickBooks and Banner.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
June 30, 2010

CURRENT YEAR FINDINGS (CONTINUED)

09-02 General Ledger Access

CONDITION

We noted during the year a password was established to limit access to the general ledger (QuickBooks). However, we noted that although the general ledger has a log in and password, multiple people have had access to the same login and password and QuickBooks does not have separate users set up to log who recorded each transaction.

CRITERIA

Separate log-ins and passwords restrict usage of the general ledger system to prevent erroneous usage and unauthorized usage. Creating separate log-ins allows the Lobo Club to track who made which entries providing further oversight.

EFFECT

The lack of password protection increases the risk of unauthorized usage.

CAUSE

It is apparent that the vacancy of the Financial Coordinator position caused inconsistencies in the posting of financial information and more people gained access.

RECOMMENDATION

The Lobo Club should restrict access to the general ledger system and track who has access.

MANAGEMENT'S RESPONSE

The Lobo Club hired a Financial Coordinator subsequent to year end and they have created a new password for her Administrative log in. The Executive Director has a new log in and password, and the accountant has her own log in and password. There will be no other users in QuickBooks.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
June 30, 2010

CURRENT YEAR FINDINGS (CONTINUED)

09-05 Agency Account Reconciliation

CONDITION

During our testwork, we noted the agency account and Banner account balance had not been reconciled consistently during the year.

CRITERIA

Monitoring is a critical component of an effective internal control system. Monitoring is a process that assesses the quality of internal control performance over time. It involves assessing the design and operation of controls on a timely basis and taking necessary corrective actions. In order to accomplish that assessment, management must have the ability to produce and analyze accurate accounting reports and reconciliations on a timely basis.

EFFECT

Timely reconciliations and adjustments of the agency account will ensure meaningful and accurate financial statements and reduce the risk that errors in deposits or cash balances go undetected.

CAUSE

It is apparent that the vacancy of the Financial Coordinator position caused inconsistencies in the posting of financial information.

RECOMMENDATION

In order to make the financial reports generated by the accounting system as meaningful as possible, the Lobo Club should reconcile the general ledger accounts for balance sheet accounts to supporting documentation on a monthly basis.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
June 30, 2010

CURRENT YEAR FINDINGS (CONTINUED)

09-05 Agency Account Reconciliation (Continued)

MANAGEMENT'S RESPONSE

The Lobo Club hired a Financial Coordinator subsequent to year end. The Financial Coordinator has begun Banner training and will reconcile the agency account and Banner account balance on a monthly basis. This process will also be detailed in the developing policies and procedures manual.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
June 30, 2010

CURRENT YEAR FINDINGS (CONTINUED)

10-01 Debit Card Process

CONDITION

During our internal control testwork, we noted that the Lobo Club's has authorized two managers to use purchasing cards that had transactions without Finance Committee review. As governed by policies and procedures designed to help ensure that the purchasing cards are used appropriately, the policies only include Finance Committee approval for transactions over a \$500 limit. While the transactions are not individually material, the collective balance may be significant due to the volume.

CRITERIA

Review and approval of transactions is designed to ensure that the Lobo Club is properly authorizing and that the transactions are consistent with the organization's business purpose.

EFFECT

There is increased risk that the Lobo Club resources may be expended for items not consistent with its business purpose and may not have the ability to prevent or detect unauthorized or material misstatements in their financial statements and could result in conflicting information for management and outside users.

CAUSE

It is apparent that the vacancy of the Financial Coordinator position caused inconsistencies in the reporting of financial information to the Finance Committee.

RECOMMENDATION

We recommend that the Lobo Club improve controls over the review of employee purchasing card expenditures to ensure that its policies and procedures are consistently followed.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
June 30, 2010

CURRENT YEAR FINDINGS (CONTINUED)

10-01 Debit Card Process (Continued)

MANAGEMENT'S RESPONSE

The Lobo Club hired a Financial Coordinator subsequent to year end. The Lobo Club's Financial Coordinator will provide monthly debit/credit transactions to the Finance Committee for review at their monthly meetings and will process debit card receipts in a timely manner.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
June 30, 2010

CURRENT YEAR FINDINGS (CONTINUED)

10-02 Contributions for the PIT Renovation

CONDITION

During the fiscal year, we noted that the Lobo Club did not consistently implement its accounting policies and procedures for contributions received related to the PIT Renovation. We also noted that there are no formal written policies and procedures for these contributions.

CRITERIA

To be effective control activities must be clearly communicated and deployed.

EFFECT

This lack of controls over these contribution transactions resulted in some transactions that were not recorded into the contribution software or were recorded and not distributed to the proper agency as defined in the Club's process.

CAUSE

It is apparent that the vacancy of the Financial Coordinator position caused inconsistencies in the documentation and implementation of its new contribution policies.

RECOMMENDATION

The Lobo Club should establish written policies and procedures to ensure that all nonroutine transactions, such as the PIT Renovation contributions, are properly recorded, reviewed, and reported in its financial statements.

MANAGEMENT'S RESPONSE

The Lobo Club hired a Financial Coordinator subsequent to year end. The Lobo Club and the Financial Coordinator will establish proper written policies and procedures in advance of project enactment to ensure that all transactions are properly recorded, reviewed, and reported in its financial statements. The policy will be communicated to all Lobo Club staff and the Financial Coordinator will be responsible for reviewing and reporting non-routine transactions.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
June 30, 2010

CURRENT YEAR FINDINGS (CONTINUED)

10-03 Accounts Payable Recording and Payment Practices

CONDITION

During our testwork, we noted that the Lobo Club had gaps in payment processing and that the Lobo Club had not been recording invoices into the general ledger system when received, but rather when invoices were to be paid. We also noted a check that was back dated to the previous month, two gaps in check numbers, and four check numbers that could not be accounted for.

CRITERIA

In order to ensure accurate financial reporting, transactions need to be posted into the general ledger in a timely fashion.

EFFECT

The timely recording of checks is an important control over cash disbursements and this will result in more accurate monthly financial statements, will keep management current on the progress of the expenditures, and may highlight a problem area earlier so that corrective action can be taken.

CAUSE

It is apparent that the vacancy of the Financial Coordinator position caused inconsistencies in the posting and processing of financial information.

RECOMMENDATION

We recommend that accounting personnel update the check register daily to ensure timely and proper recording of cash disbursements.

MANAGEMENT'S RESPONSE

The Lobo Club hired a Financial Coordinator subsequent to year end. The Financial Coordinator will process checks/ invoices in a timely manner to ensure that there is no back dating, gaps in check numbers, and that all voided checks are accounted for. This procedure will be detailed in the policies and procedures manual.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
June 30, 2010

CURRENT YEAR FINDINGS (CONTINUED)

10-04 Restricted Contributions Payable Reconciliation

CONDITION

During our testwork, we noted the contributions received that were restricted for specific sports were recorded in a liability account and the balance had not been reconciled from the general ledger to supporting detail consistently during the year.

CRITERIA

Timely reconciliations and adjustments of the restricted contributions account will help ensure meaningful and accurate financial statements and reduce the risk that errors and multiple postings go undetected.

EFFECT

There is increased risk that errors may go undetected and management and the Board of Directors may not be receiving accurate financial information.

CAUSE

It is apparent that the vacancy of the Financial Coordinator position caused inconsistencies in the posting and reconciling of financial information.

RECOMMENDATION

The Lobo Club should reconcile the general ledger accounts for balance sheet accounts, including the restricted contribution liability account, to supporting documentation on a monthly basis.

MANAGEMENT'S RESPONSE

The Lobo Club hired a Financial Coordinator subsequent to year end. The Financial Coordinator will reconcile restricted contributions on a monthly basis. This procedure will be detailed in the policies and procedures manual.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
June 30, 2010

CURRENT YEAR FINDINGS (CONTINUED)

10-05 Lack of Supporting Documentation

CONDITION

During our internal control testing, we noted that supporting documentation could not be provided for some of the transactions. Specifically, these included one invoice out of eighteen selected for control testing and one cash receipts deposit out of eighteen selected for control testing.

CRITERIA

Orderly filing of documents should be maintained to insure proper control over all supporting documentation and invoices evidencing revenues, expenditures, etc.

EFFECT

There is increased risk that errors or fraud may go undetected.

CAUSE

It is apparent that the vacancy of the Financial Coordinator position caused inconsistencies in the storing of financial information.

RECOMMENDATION

The Lobo Club should consider implementing procedures to ensure that supporting documents and information is properly stored.

MANAGEMENT'S RESPONSE

The Lobo Club hired a Financial Coordinator subsequent to year end. The Financial Coordinator will ensure that all documents are filed promptly and properly with supporting documentation. This procedure will be detailed in the policies and procedures manual.

UNM LOBO CLUB
(A Component Unit of the University of New Mexico)
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
June 30, 2010

CURRENT YEAR FINDINGS (CONTINUED)

10-06 Cash Receipting Process

CONDITION

During our observation of controls over the cash receipts process, we noted that cash receipts are not being deposited on a timely basis. At the present time, the Lobo Club accumulates cash receipts in a desk drawer and makes weekly deposits. In addition, accessibility to the drawer is not entirely restricted throughout the work day.

CRITERIA

Since cash is so readily subject to error and mishandling, effective control of checks, currency, and other cash items should begin at the time of receipt and continue through deposit, custody, and disbursement.

EFFECT

There is increased risk of loss from burglary, misplacement, or misappropriation of cash.

CAUSE

Currently the Lobo Club does not have a safe to store cash contributions received from donors and does not have a policy to require the daily deposit of cash receipts.

RECOMMENDATION

We recommend that the Lobo Club establish and deploy policies so that deposits are made on a daily basis both to improve cash flow and to reduce the risk of loss. If it is inconvenient for the Lobo Club's employees to make daily trips to the bank, use of a safe should be considered, whereby thresholds of cash amounts be established before daily deposits at the bank are required.

MANAGEMENT'S RESPONSE

The Lobo Club will establish a policy to process cash receipts. When cash receipts are received over \$1000.00 the Financial Coordinator will be notified and those cash receipts will be processed and taken to the bank that same day. Cash deposit will be kept in a locked drawer until it is taken to the bank. This will decrease the risk of misplacement or misappropriation of cash.

UNM LOBO CLUB
(A Component Unit of The University of New Mexico)
EXIT CONFERENCE
June 30, 2010

We discussed the recommendations contained in this report during the exit conference held October 13, 2010. The exit conference was attended by the following individuals:

UNM Lobo Club

Ryan Mummert, Vice President Finance
David Sabolcik, Executive Director

Moss Adams LLP

Jason Galloway, Manager

Moss Adams LLP assisted with the preparation of the financial statements.