

NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND  
SUBSIDIARIES

Consolidated Financial Statements

For the Years Ended  
June 30, 2018 and 2017

Together with Report of Independent Auditors

BE BOLD. Shape the Future.



# NMSU Foundation, Inc. Mission

“To enhance both the image and value of the University for students, faculty, staff, alumni, and all other friends and members of the University community.”



# NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

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NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES  
OFFICIAL ROSTER

**NMSU Foundation, Inc.**

**Executive Officers**

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Mrs. MaryLou Davis  
Chairman

Mr. Philip Cook  
Vice Chairman

Dr. Andrea Tawney  
President

Mr. Kyle Louvar  
Treasurer

Dr. Smoky Torgerson  
Secretary

**Members**

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Mr. Larry Allen  
Ms. Raquel Bone  
Mr. Jagdev Cheema  
Mr. John Cordova  
Mr. Aaron De Los Santos  
Mr. Christopher Dulany  
Mrs. Jackie Edwards  
Mr. Del Esparza  
Dr. Ed Foreman

Dr. Harold Foreman  
Mr. Nick Franklin  
Mr. Joel Granger  
Mr. Christian Hendrickson  
Dr. Michael Johnson  
Mr. George Kozeliski  
Mrs. Nicole Louvar  
Mr. Larry Lujan  
Mr. Bobby Lutz

Mrs. Dion Messer  
Mrs. Susan Plantz  
Ms. Brenda Porter  
Mr. Eric Powell  
Mr. Raul Prieto  
Mr. Randy Pugh  
Mr. Joseph Salopek  
Mr. Frank Seidel



KPMG LLP  
Two Park Square, Suite 700  
6565 Americas Parkway, N.E.  
Albuquerque, NM 87110-8179

## Independent Auditors' Report

The Board of Directors  
New Mexico State University Foundation, Inc.  
and  
Mr. Wayne Johnson, New Mexico State Auditor:

### *Report on the Financial Statements*

We have audited the accompanying consolidated financial statements of the New Mexico State University Foundation, Inc. and its subsidiaries (the Foundation), a component unit of New Mexico State University, which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the New Mexico State University Foundation, Inc. and its subsidiaries as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018 on our consideration of the Foundation'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 the Foundation's 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 Foundation's internal control over financial reporting and compliance.

KPMG LLP

Albuquerque, New Mexico  
December 12, 2018

NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES  
 Consolidated Statements of Financial Position  
 As of June 30, 2018 and 2017

	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 14,989,030	\$ 11,875,784
Short-term investments (Note 3)	332,068	385,307
Contributions receivable, net (Note 2)	12,640,488	11,710,419
Property and equipment, net (Note 4)	105,643	59,610
Asset held in trust under split interest agreement	359,055	364,501
Assets held in trust for New Mexico State University (Note 5)	47,337,549	45,410,761
Assets held for long-term investment:		
Cash and cash equivalents	4,859,321	11,410,763
Investments (Note 6)	129,541,610	114,821,317
Accrued interest income	23,942	30,858
Land and building	2,322,528	2,000,700
Other assets	1,369,864	1,336,999
	<hr/>	<hr/>
Total assets	\$ 213,881,098	\$ 199,407,019
	<hr/>	<hr/>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Split interest agreement payable	\$ 140,181	\$ 154,280
Gift annuities payable	2,348,892	2,561,203
Other liabilities	539,906	497,235
Due to New Mexico State University	2,250,106	1,563,736
Assets held in trust for New Mexico State University (Note 5)	47,337,549	45,410,761
	<hr/>	<hr/>
Total liabilities	52,616,634	50,187,215
	<hr/>	<hr/>
Net assets:		
Unrestricted	4,023,358	3,093,209
Temporarily restricted (Note 7)	57,541,225	51,720,227
Permanently restricted (Note 8)	99,699,881	94,406,368
	<hr/>	<hr/>
Total net assets	161,264,464	149,219,804
	<hr/>	<hr/>
Total liabilities and net assets	\$ 213,881,098	\$ 199,407,019
	<hr/>	<hr/>

The accompanying notes to the consolidated financial statements are an integral part of these statements.



In October 2017, NMSU celebrated the reopening of the newly renovated and expanded Zuhl Museum, which was funded by a generous donation from the Zuhls. The museum contains more than 1,800 items of petrified wood, fossils, and minerals that Dr. Zuhl donated to the University. In 2016 alone, more than 4,000 visitors signed in at the museum. On average about 40 tour groups per year come through to view the collection, and the museum is a frequent host to school field trips from around the region.





NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

Consolidated Statement of Activities

Year ended June 30, 2018

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
<b>REVENUES, GAINS AND OTHER SUPPORT:</b>				
Private gifts	\$ 409,416	\$ 10,328,983	\$ 4,754,059	\$ 15,492,458
Net investment income (loss) (Note 9)	2,692,529	6,435,241	-	9,127,770
Management fees paid by New Mexico State University (Note 5)	803,056	-	-	803,056
Promotion and other income	224,922	305,568	457,462	987,952
Change in value of split interest agreement and gift annuities payable	-	(194,914)	(77,027)	(271,941)
<b>NET ASSETS RELEASED FROM RESTRICTION AND OTHER TRANSFERS:</b>				
Change in donor restrictions	(59,793)	(99,226)	159,019	-
Net assets released from donor restrictions (Note 10)	10,519,536	(10,519,536)	-	-
Other transfers (Note 14)	435,118	(435,118)	-	-
Total revenues, gains and other support	<u>15,024,784</u>	<u>5,820,998</u>	<u>5,293,513</u>	<u>26,139,295</u>
<b>EXPENSES (Note 11):</b>				
Program	10,657,340	-	-	10,657,340
Fundraising	2,075,368	-	-	2,075,368
Administration	1,361,927	-	-	1,361,927
Total expenses	<u>14,094,635</u>	<u>-</u>	<u>-</u>	<u>14,094,635</u>
<b>CHANGE IN NET ASSETS</b>	930,149	5,820,998	5,293,513	12,044,660
NET ASSETS, beginning of year	<u>3,093,209</u>	<u>51,720,227</u>	<u>94,406,368</u>	<u>149,219,804</u>
NET ASSETS, end of year	<u>\$ 4,023,358</u>	<u>\$ 57,541,225</u>	<u>\$ 99,699,881</u>	<u>\$ 161,264,464</u>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

Consolidated Statement of Activities

Year ended June 30, 2017

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
<b>REVENUES, GAINS AND OTHER SUPPORT:</b>				
Private gifts	\$ 313,946	\$ 9,455,899	\$ 5,087,642	\$ 14,857,487
Net investment income (Note 9)	2,754,092	10,845,767	-	13,599,859
Management fees paid by New Mexico State University (Note 5)	798,931	-	-	798,931
Promotion and other income	187,756	363,144	368,087	918,987
Change in value of split interest agreement and gift annuities payable	-	(120,950)	59,251	(61,699)
<b>NET ASSETS RELEASED FROM RESTRICTION AND OTHER TRANSFERS:</b>				
Change in donor restrictions	1,770	(152,985)	151,215	-
Net assets released from donor restrictions (Note 10)	8,817,967	(8,817,967)	-	-
Other transfers (Note 14)	2,316,454	(2,316,454)	-	-
Total revenues, gains and other support	<u>15,190,916</u>	<u>9,256,454</u>	<u>5,666,195</u>	<u>30,113,565</u>
<b>EXPENSES (Note 11):</b>				
Program	8,931,420	-	-	8,931,420
Fundraising	2,156,344	-	-	2,156,344
Administration	1,420,804	-	-	1,420,804
Total expenses	<u>12,508,568</u>	<u>-</u>	<u>-</u>	<u>12,508,568</u>
<b>CHANGE IN NET ASSETS</b>	2,682,348	9,256,454	5,666,195	17,604,997
NET ASSETS, beginning of year	<u>410,861</u>	<u>42,463,773</u>	<u>88,740,173</u>	<u>131,614,807</u>
NET ASSETS, end of year	<u>\$ 3,093,209</u>	<u>\$ 51,720,227</u>	<u>\$ 94,406,368</u>	<u>\$ 149,219,804</u>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Year ended June 30, 2018 and 2017

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 12,044,660	\$ 17,604,997
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Gain on marketable securities, net	(5,861,731)	(8,356,603)
Amortization of marketable securities, net of accretion	525,782	111,149
Gifts of marketable securities received	(735,995)	(1,043,119)
Depreciation	28,882	89,551
Loss on disposal of property and equipment	693	-
Unrealized (gain) loss on other assets	(16,126)	7,920
Unrealized loss (gain) on land and building held for long-term investment	8,356	(74,100)
Contributions held for long-term investment	(3,837,450)	(4,496,904)
Dividends and interest held for long-term investment	(4,813,358)	(3,369,537)
Actuarial gain on gift annuities payable	(212,311)	(219,757)
Actuarial gain on obligations under split interest agreement payable	(14,099)	(13,284)
Net changes in assets and liabilities:		
Contributions receivable	(930,069)	(2,740,954)
Assets held in trust under split interest agreement	9,900	14,367
Accrued interest held for long-term investment	6,916	15,745
Other assets	(59,221)	34,777
Other liabilities	42,671	(10,148)
Due to New Mexico State University	686,370	(539,893)
Net cash flows used by operating activities	<u>(3,126,130)</u>	<u>(2,985,793)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(75,608)	(6,259)
Change in cash and cash equivalents held for long-term investment	6,713,262	(179,840)
Sales, maturities and principal payments received of marketable securities	29,458,890	51,452,402
Purchases of marketable securities	(38,058,454)	(52,377,668)
Principal payments received on note receivable for long-term investment	18,000	18,000
Purchase of land and building for investment including capital improvements	(305,702)	(1,926,600)
Proceeds from sale of property and equipment	-	397,888
Net cash flows used by investing activities	<u>(2,249,612)</u>	<u>(2,622,077)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions held for long-term investment	3,837,450	4,496,904
Dividends and interest held for long-term investment	4,813,358	3,369,537
Payments of gift annuity obligations	(161,820)	(167,357)
Net cash flows provided by financing activities	<u>8,488,988</u>	<u>7,699,084</u>
Net increase in cash and cash equivalents	3,113,246	2,091,214
Cash and cash equivalents, beginning of year	11,875,784	9,784,570
Cash and cash equivalents, end of year	<u>\$ 14,989,030</u>	<u>\$ 11,875,784</u>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

### NOTE 1 - Organization and Activities

New Mexico State University Foundation, Inc. and its Subsidiaries (the "Foundation") is a nonprofit corporation established to acquire and manage charitable gifts, including endowed funds, to be used solely for the benefit of New Mexico State University (the "University"). The Foundation is exempt from Federal income taxes under Internal Revenue Code section 501(c)(3). The Foundation is reported in the University's financial statements as a discretely presented component unit. The Foundation financial statements are prepared in accordance with the guidance promulgated by the Financial Accounting Standards Board (FASB), as it does not qualify to be reported using the governmental format promulgated by the Governmental Accounting Standards Board.

During FY 2017 the Foundation established a limited liability corporation, Real Estate Holdings of NMSU Foundation, LLC ("REH"). The purpose of REH is to buy, sell, manage, and operate real estate interests for the benefit of the Foundation. The LLC is managed by the executive committee of its only member, the Foundation.

During FY 2018 the Foundation established a limited liability corporation, Our Way Holdings, LLC ("OWH"). The purpose of OWH is to receive, invest and distribute funds received from a trust for the benefit of the Foundation. OWH is managed by the executive committee of its only member, the Foundation.

### NOTE 2 - Summary of Significant Accounting Policies

**Basis of Presentation.** The Consolidated Financial Statements of the New Mexico State University Foundation, Inc. and its subsidiaries have been consolidated and all significant intercompany amounts and transactions have been eliminated.

In the accompanying Consolidated Financial Statements, net assets that have similar characteristics have been combined into similar categories as follows:

***Permanently Restricted*** – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Such assets primarily include the Foundation's permanent endowment funds. Generally, the donors of these assets permit the Foundation's use of all or part of the investment return on these assets.

***Temporarily Restricted*** – Net assets whose use by the Foundation is subject to donor imposed stipulations that can be fulfilled by actions of the Foundation pursuant to those stipulations or that expire with the passage of time.

***Unrestricted*** – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes, such as quasi-endowments, by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Unless otherwise designated, unrestricted net assets are used for the support of University programs.

**Use of Estimates.** The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at 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 include cash and short-term investments with original maturities to the Foundation of three months or less. The Foundation does not require that excess cash be collateralized by securities. These assets are not restricted for long-term investment as endowments.

**Investments.** Securities purchased are originally recorded at cost; securities received by gift are recorded at estimated fair value at the date of donation. The aggregate annual amounts of these gifts are disclosed in the Consolidated Statements of Cash Flow. Third-party investment managers administer substantially all marketable securities of the Foundation. Gains and losses resulting from securities transactions are recorded in net investment income in the accompanying consolidated financial statements.

The Foundation's investments are stated at fair value in the consolidated financial statements. Where applicable, investments are stated at net asset value (NAV) as a practical expedient to fair value.

**NOTE 2 - Summary of Significant Accounting Policies (Continued)**

**Contributions Receivable.** Contributions receivable include unconditional promises to give that have not yet been collected, including amounts to be received at the termination of several charitable remainder trusts for which the Foundation is not the trustee. Contributions expected to be collected in future years are reported at an amount determined using the discounted present value of future contributions, including an allowance for uncollectible contributions estimated by management. The applicable IRS discount rate for June 2018 and 2017 was 3.4% and 2.4%, respectively. These inputs are considered to be Level 3 in the fair value hierarchy. Contributions receivable determined uncollectible during the fiscal year are written off when considered uncollectible. A total of \$709,361 and \$279,036 was written off during 2018 and 2017, respectively. Contributions receivable for the fiscal years ended June 30, 2018 and 2017 were as follows:

	<b>2018</b>	<b>2017</b>
Within one year	\$ 4,681,418	\$ 3,100,324
From two to five years	7,346,256	7,614,195
More than five years	2,883,220	2,956,677
	<u>14,910,894</u>	<u>13,671,196</u>
Reserve	(2,036,244)	(1,802,475)
Present Value Discount	(234,162)	(158,302)
Total Net Contributions Receivable	<u>\$ 12,640,488</u>	<u>\$ 11,710,419</u>

**Property and Equipment.** Property and equipment is stated at cost. Additions and major improvements are capitalized in the appropriate asset accounts and the capitalization threshold is \$1,000. Repairs and maintenance are charged to expense as incurred. Straight-line depreciation is recorded over the following periods approximating the useful lives of each class of asset: computer equipment and software, 5 years; furniture and equipment, 7 years; and automobiles, 5 years.

**Split Interest Agreement.** The Foundation holds an irrevocable charitable remainder trust. This is reflected in the accompanying Consolidated Financial Statements as a split interest agreement.

The charitable remainder trust designates the Foundation as both trustee and remainder beneficiary. The Foundation is required to pay to the donor (or another donor-designated income beneficiary) either a fixed amount or the lesser of a fixed percentage of the fair market value of the trust's assets or the trust's income during the beneficiary's life. Trust assets are measured at fair value when received, and are carried by the Foundation at fair value. A corresponding trust liability is measured at the present value of expected future cash flows to be paid to the beneficiary computed using the applicable IRS discount rate, which for June 2018 and 2017 was 3.4% and 2.4%, respectively. Upon death of the income beneficiary, substantially all of the principal balances pass to the Foundation to be used in accordance with the donor's wishes.

**Assets Held for Long-Term Investment.** The Foundation manages a pool of assets invested to produce income to support programs of the University. These assets consist of cash and cash equivalents, marketable securities and related amounts of interest income receivable and a building held for investment. A portion of these assets belongs to the University; these are held in trust and managed by the Foundation (see Note 5). The Foundation owns the remainder, including endowments and gift annuities. In the accompanying Consolidated Financial Statements, assets held in trust for New Mexico State University include the portion of the pool owned by the University; assets held for long-term investment include the portion of the pool owned by the Foundation.

Also reported under this caption is donated property held for investment or held for sale with the proceeds to be invested long-term for income production. The properties are recorded at their fair value as of June 30, 2018 and 2017.

**Other Assets.** Other assets consist primarily of works of art that the Foundation intends to hold indefinitely, reproductions of works of art held for resale, note receivable, the cash surrender value of life insurance policies, and other receivables. The works of art are recorded a current appraisal value as of June 30, 2018 and 2017. The note receivable expected to be collected in future years is reported at an amount determined using the discounted present value of future contributions. The applicable IRS discount rate for June 2018 and 2017 was 3.4% and 2.4%, respectively.

**Gift Annuities Payable.** The Foundation sponsors a charitable gift annuity program. To participate in the program, donors make gifts to the Foundation of assets, normally cash or marketable securities. In return, the donor and/or another designated beneficiary receive, from the Foundation, periodic payments for the life of the beneficiary. Upon death of the income beneficiary, the remaining amount from the original gift and its earnings are used in accordance with the donor's wishes. Gift annuities payable in the accompanying Consolidated Statements of Financial Position represent the net present value of periodic annuity payments over the estimated remaining lives of the income beneficiaries computed using the applicable IRS discount rate, which for June 2018 and 2017 was 3.4% and 2.4%, respectively.

**NOTE 2 - Summary of Significant Accounting Policies (Continued)**

**Revenue Recognition.** Unconditional promises to give are recorded as contributions revenue when the promise is received. Conditional promises are recorded as revenue once the conditions are substantially met. Promotion income represents donated goods and services received from third parties. Revenue and the related expense are recognized at the date the donation is made.

**Support.** The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from donor restrictions.

**Change in Donor Restrictions.** During the years ended June 30, 2018 and 2017, the Foundation was contacted by some of its donors who wished to restrict permanently previous temporarily restricted donations or to release assets from previously imposed restrictions. In response to the requests, the Foundation transferred the requested amounts to the appropriate net asset class.

**Fair Value of Assets and Liabilities.** Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 820 (ASC 820), *Fair Value Measurements*, defines fair value and establishes a framework for measuring fair value and expands disclosures about fair value measurements. See Note 13.

**New Accounting Pronouncements.** In May 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*, which amends the disclosure requirements of Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures*, for reporting entities that measure the fair value of an investment using the net asset value (NAV) per share (or its equivalent) as a practical expedient. The amendments in ASU 2015-07 remove the requirement to categorize within the fair value hierarchy and make certain disclosure for all investments for which fair value is measured using the NAV per share practical expedient. The Foundation adopted ASU 2015-07 for its fiscal year ended June 30, 2018, and has applied the amendments retrospectively to all periods presented in Note 13.

Information concerning recently issued accounting pronouncements that have not been adopted by the Foundation are presented below.

*ASU No. 2016-14, Not for Profit Entities (Topic 958): Presentation of Financial Statements of Not for Profit Entities*

In August 2016, the FASB issued ASU No. 2016-14. The ASU significantly changes how not for profit entities (NFPs) report net asset classes, expenses, and liquidity in financial statements. The key provisions of the ASU are as follows:

- Reduces the number of net asset classes presented from three to two, resulting in net asset classes of *with donor restrictions and without donor restrictions*.
- Requires all NFPs to present expenses by their functional and their natural classifications in one location in the financial statements.
- Requires NFPs to provide quantitative and qualitative information about management of liquid resources and availability of financial assets to meet cash needs within one year of the date of the statements of financial position.

The ASU becomes effective with respect to the Foundation's financial statements on July 1, 2018. Early adoption is permitted. The provisions of the ASU are to be applied retrospectively in the year of adoption. The Foundation continues to review the provisions of this ASU and will adopt all required provisions once effective.

*ASU No. 2016-02, Leases*

In February 2016, the FASB issued ASU No. 2016-02, which provides guidance for the recognition of lease agreements. The standard's core principle is that a company will now recognize most leases on its statements of financial position as lease liabilities with corresponding right of use assets. This ASU becomes effective with respect to the Foundation's financial statements on July 1, 2020. Early adoption is permitted. The Foundation is currently in the process of evaluating the effect of adoption of this ASU on its financial statements.

**NOTE 2 - Summary of Significant Accounting Policies (Continued)**ASU No. 2014-09, *Revenue from Contracts with Customers*

In May 2014, the FASB issued ASU No. 2014-09, as amended by several subsequent ASUs, which provides guidance for revenue recognition. The standard's core principle is that a company will recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. Per ASU No. 2015-14, *Deferral of the Effective Date*, this ASU becomes effective with respect to the Foundation's financial statements on July 1, 2019. Early adoption is permitted. The Foundation is currently in the process of evaluating the effect of adoption of this ASU on its financial statements.

Other accounting pronouncements did not or are not believed by management to have a material impact on the Foundation's present or future financial statements.

**NOTE 3 - Short-Term Investments**

The Foundation invests cash in excess of daily requirements in certificates of deposit and short-term marketable securities. In the accompanying Consolidated Financial Statements, short-term investments in marketable securities also represent a portion of these investments that do not qualify as cash equivalents. Short-term investments in marketable securities consisted entirely of domestic corporate stocks and bonds at June 30, 2018 and 2017.

Returns from certificate of deposit and short-term investments in marketable securities are included in unrestricted net assets in the accompanying Consolidated Statements of Activities. The following table summarizes the short-term investments and related activity for the years ended June 30, 2018 and 2017.

	<b>2018</b>	<b>2017</b>
Marketable securities	\$ 229,034	\$ 283,040
Certificate of Deposit	<u>103,034</u>	<u>102,267</u>
	<u>\$ 332,068</u>	<u>\$ 385,307</u>
	<b>2018</b>	<b>2017</b>
Unrealized (loss) gain, net	\$ (54,998)	\$ 71,671
Dividends and interest	<u>9,535</u>	<u>9,405</u>
	<u>\$ (45,463)</u>	<u>\$ 81,076</u>

**NOTE 4 - Property and Equipment**

Depreciation expense for the fiscal years ended June 30, 2018 and 2017, was \$28,882 and \$89,551 respectively, and is included in administration expense on the accompanying Consolidated Statements of Activities. Major classifications of property and equipment at June 30, 2018 and 2017 are summarized below:

	<b>2018</b>	<b>2017</b>
Computer equipment and software	\$ 495,328	\$ 492,249
Furniture and equipment	154,724	136,400
Automobiles	<u>105,193</u>	<u>99,688</u>
	755,245	728,337
Less: Accumulated depreciation	<u>(649,602)</u>	<u>(668,727)</u>
	<u>\$ 105,643</u>	<u>\$ 59,610</u>

**NOTE 5 - Affiliated Entity**

During 1991, the Foundation entered into an agreement to manage, invest and distribute earnings from substantially all of the University's endowment funds, as directed by the Board of Regents of the University. The Foundation is authorized to hold in its name all assets received from the University. This agreement is for an indefinite period, but may be terminated by either party with 90 days notice. University endowment funds are pooled with Foundation endowment funds for investment. Under this agreement, the Foundation earned \$803,056 and \$798,931 in administration fees from the University during the fiscal years ended June 30, 2018 and 2017, respectively.

NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the Years ended June 30, 2018 and 2017

**NOTE 5 - Affiliated Entity (Continued)**

Assets and liabilities for the amounts received by the Foundation under this agreement, as well as earnings and net appreciation from the investment of those assets, are included in assets held in trust for New Mexico State University in the accompanying Consolidated Statements of Financial Position. Assets held in trust for New Mexico State University totaled \$47,337,549 and \$45,410,761 at June 30, 2018 and 2017, respectively. Of these assets, \$42,808,020 and \$39,060,716, as of June 30, 2018 and 2017, respectively, represent assets measured at fair value (see Note 13). The remaining assets included in assets held in trust for New Mexico State University represent cash and cash equivalent amounts that are not subject to fair value measurements and accrued interest income.

The University, in exchange for the Foundation's fundraising activities that directly benefit the University, provides certain facilities and services to the Foundation. The University provides the premises occupied by the Foundation and certain of the furniture, fixtures and equipment used by the Foundation. The Foundation recorded \$210,319 and \$207,196 during the fiscal years ended June 30, 2018 and 2017, respectively, for the estimated fair rental value of the premises, furniture, fixtures and equipment owned by the University. The property is not recorded in the accompanying Consolidated Financial Statements. In addition, employees of the University perform all administrative services for the Foundation. A portion of the salaries for these employees (\$2,111,158 and \$2,325,806 for the years ended June 30, 2018 and 2017, respectively) was reimbursed to the University by the Foundation.

Amounts due to New Mexico State University in the accompanying Consolidated Statements of Financial Position include salary expenses to be reimbursed to the University, as well as current use gifts and endowment earnings amounts for which the University has satisfied donor restrictions.

**NOTE 6 - Assets Held for Long-Term Investment**

The aggregate carrying amounts of assets held for long-term investment in securities by major types at June 30, 2018 and 2017, are shown in the table below:

	<b>2018</b>	<b>2017</b>
Corporate Stocks and Bonds	\$ 66,723,360	\$ 61,555,800
Limited Partnerships - Alternative	32,119,416	28,898,765
Mutual Funds	25,912,120	18,799,170
Mortgage Backed Securities	2,657,857	3,259,176
Mortgage Backed Securities - Foreign	1,294,830	1,077,515
U.S. Government and Agency Securities	834,027	1,230,891
	<b>129,541,610</b>	<b>114,821,317</b>
Real Estate Holdings	2,322,528	2,000,700
	<b>\$ 131,864,138</b>	<b>\$ 116,822,017</b>

The following schedule summarizes the total return on long-term investments and its classification in the accompanying Consolidated Statement of Activities for the year ended June 30, 2018 (see Note 9):

<b>2018</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Dividends and interest	\$ -	\$ 4,287,577	\$ -	\$ 4,287,577
Realized gains, net	2,737,992	1,840,847	-	4,578,839
Unrealized gains, net	-	933,552	-	933,552
Investment expenses	-	(631,746)	-	(631,746)
	<b>\$ 2,737,992</b>	<b>\$ 6,430,230</b>	<b>\$ -</b>	<b>\$ 9,168,222</b>

The following schedule summarizes the total return on assets held for long-term investment and its classification in the accompanying Consolidated Statement of Activities for the year ended June 30, 2017 (see Note 9):

<b>2017</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Dividends and interest	\$ -	\$ 3,257,881	\$ -	\$ 3,257,881
Realized gains, net	2,673,016	2,767,710	-	5,440,726
Unrealized gains, net	-	5,491,674	-	5,491,674
Investment expenses	-	(672,005)	-	(672,005)
	<b>\$ 2,673,016</b>	<b>\$ 10,845,260</b>	<b>\$ -</b>	<b>\$ 13,518,276</b>



NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the Years ended June 30, 2018 and 2017

**NOTE 7 - Temporarily Restricted Net Assets**

Temporarily restricted net assets at June 30, 2018 and 2017 are available for the following purposes:

	<b>2018</b>	<b>2017</b>
Student aid	\$ 21,415,432	\$ 19,829,210
General, departments or colleges & buildings, etc.	19,495,718	15,926,997
Faculty and staff compensation	9,295,009	9,813,044
Research	4,061,965	3,783,063
Other	3,273,101	2,367,913
	<u>\$ 57,541,225</u>	<u>\$ 51,720,227</u>

**NOTE 8 - Permanently Restricted Net Assets**

Permanently restricted net assets are restricted to investment in perpetuity to produce income for specified purposes. The table below shows the amounts of permanently restricted net assets at June 30, 2018 and 2017, by the purpose to which the use of income is restricted:

	<b>2018</b>	<b>2017</b>
Student aid	\$ 53,432,978	\$ 51,578,488
Faculty and staff compensation	25,616,969	25,488,430
General use for departments or colleges	13,958,879	13,598,909
Research	5,959,955	2,996,731
Buildings, grounds, equipment and facilities	501,811	515,890
Other	229,289	227,920
	<u>\$ 99,699,881</u>	<u>\$ 94,406,368</u>

**NOTE 9 - Net Investment Income (Loss)**

The following table summarizes the components of net investment income (loss) for the year ended June 30, 2018:

<b>2018</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Dividends and interest on cash and cash equivalents	\$ 9,535	\$ -	\$ -	\$ 9,535
Loss from short-term investments	(54,998)	-	-	(54,998)
Interest on cash and cash equivalents held for long-term investment	-	5,011	-	5,011
Gain from marketable securities long-term investment (Note 6)	2,737,992	6,430,230	-	9,168,222
	<u>\$ 2,692,529</u>	<u>\$ 6,435,241</u>	<u>\$ -</u>	<u>\$ 9,127,770</u>

The following table summarizes the components of net investment income for the year ended June 30, 2017:

<b>2017</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Dividends and interest on cash and cash equivalents	\$ 9,405	\$ -	\$ -	\$ 9,405
Gain from short-term investments	71,671	-	-	71,671
Interest on cash and cash equivalents held for long-term investment	-	507	-	507
Gain from marketable securities long-term investment (Note 6)	2,673,016	10,845,260	-	13,518,276
	<u>\$ 2,754,092</u>	<u>\$ 10,845,767</u>	<u>\$ -</u>	<u>\$ 13,599,859</u>

**NOTE 10 - Net Assets Released from Donor Restrictions**

Net assets released from donor restrictions after incurring expenses that satisfied the restricted purposes or after the occurrence of other events specified by donors during the fiscal years ended June 30, 2018 and 2017, were as follows:

	<b>2018</b>	<b>2017</b>
Purpose restrictions accomplished:		
General use for departments or colleges	\$ 6,095,842	\$ 4,096,056
Student aid	2,766,475	2,624,292
Faculty and staff compensation	792,515	696,553
Buildings, grounds, equipment and facilities	504,100	1,086,056
Research	350,725	288,392
Other	9,879	26,618
	<u>\$ 10,519,536</u>	<u>\$ 8,817,967</u>

**NOTE 11 - Expenses**

Expenses of the Foundation reported by natural classification for the fiscal years ended June 30, 2018 and 2017 were as follows:

	<b>2018</b>	<b>2017</b>
Program expenses and grants	\$ 10,657,340	\$ 8,931,420
Salaries	2,111,158	2,325,806
Supplies and services	812,424	744,595
Professional fees	335,084	294,750
Travel	139,765	118,789
Depreciation	28,882	89,551
Utilities	9,982	3,657
	<u>\$ 14,094,635</u>	<u>\$ 12,508,568</u>



NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the Years ended June 30, 2018 and 2017

**NOTE 12 - Deposit Accounts and Investments as of June 30, 2018**

<i>Account</i>	<i>Type of Account</i>	<i>Bank Balance</i>	<i>Reconciling Items</i>	<i>Book Balance</i>
<b>CASH - WELLS FARGO BANK OF NEW MEXICO:</b>				
Program	Checking	\$ 4,399,688	\$ 12,335	\$ 4,412,023
Program	Transfer	958,047	-	958,047
Operations	Checking	477,246	(43,944)	433,302
Program	ACH	218,116	-	218,116
Program	Wire	97,582	-	97,582
<b>CITIZENS BANK OF LAS CRUCES:</b>				
Program	Money Market	1,016,781	-	1,016,781
<b>MERRILL LYNCH:</b>				
Program	Money Market	7,918,863	(78,050)	7,840,813
Operations	Checking	1,951,436	-	1,951,436
Program - Charitable Gift Annuity	Checking & Money Market	29,310	(8,418)	20,892
Program - NMSU Business College	Money Market	4,577	-	4,577
Less Cash Allocated to NMSU for AHIT (Program)	Held in Trust	(1,964,539)	-	(1,964,539)
<b>INVESTMENT CASH - MERRILL LYNCH MANAGERS:</b>				
Short Term Investment Fund	Money Market	1,995,767	-	1,995,767
Cambiar Intl Value	Money Market	1,287,570	-	1,287,570
Invesco	Money Market	1,068,018	-	1,068,018
Eagle LCV	Money Market	1,048,374	-	1,048,374
Private Equity	Money Market	451,568	-	451,568
NWQ	Money Market	295,840	-	295,840
Armstrong	Money Market	202,294	-	202,294
Loomis - TMA	Money Market	196,876	-	196,876
Santa Barbara	Money Market	149,250	-	149,250
Tag - Emerging	Money Market	144,382	-	144,382
Eagle SCG	Money Market	135,230	-	135,230
Western	Money Market	120,569	-	120,569
Tortoise MLP	Money Market	93,769	-	93,769
WCMA	Money Market	73,717	-	73,717
Cohen and Steers	Money Market	71,247	-	71,247
Earnest SCV	Money Market	61,687	-	61,687
Title V	Money Market	19,397	-	19,397
ALT Investments	Money Market	532	-	532
ALTA	Money Market	2	-	2
Less Cash Allocated to NMSU for AHIT	Held in Trust	(2,556,768)	-	(2,556,768)
Total Cash		<u>\$ 19,966,428</u>	<u>\$ (118,077)</u>	<u>\$ 19,848,351</u>
<b>INVESTMENTS - MERRILL LYNCH:</b>				
Corporate Stocks and Bonds	Investment	\$ 66,723,360	\$ -	\$ 66,723,360
Limited Partnerships - Alternative	Investment	32,119,416	-	32,119,416
Mutual Funds	Investment	25,912,120	-	25,912,120
Mortgage Backed Securities	Investment	2,657,857	-	2,657,857
Mortgage Backed Securities - Foreign	Investment	1,294,830	-	1,294,830
U.S. Government and Agency Securities	Investment	834,027	-	834,027
Total Investments - Merrill Lynch		<u>129,541,610</u>	<u>-</u>	<u>129,541,610</u>
Real Estate Holdings	Investment	2,322,528	-	2,322,528
Short-term Investments	Investment	332,068	-	332,068
Accrued Investment Interest	Investment	23,942	-	23,942
Total Other Investments		<u>2,678,538</u>	<u>-</u>	<u>2,678,538</u>
Total Investments		<u>\$ 132,220,148</u>	<u>\$ -</u>	<u>\$ 132,220,148</u>

NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

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**NOTE 12 - Deposit Accounts and Investments as of June 30, 2017**

<i>Account</i>	<i>Type of Account</i>	<i>Bank Balance</i>	<i>Reconciling Items</i>	<i>Book Balance</i>
<b>CASH - WELLS FARGO BANK OF NEW MEXICO:</b>				
Program	Checking	\$ 3,118,316	\$ 53,445	\$ 3,171,761
Program	Transfer	313,000	-	313,000
Operations	Checking	524,968	(2,454)	522,514
Program	ACH	27,704	-	27,704
<b>CITIZENS BANK OF LAS CRUCES:</b>				
Program	Money Market	1,006,215	-	1,006,215
<b>MERRILL LYNCH:</b>				
Program	Money Market	7,339,732	-	7,339,732
Operations	Checking	1,309,262	-	1,309,262
Program - Charitable Gift Annuity	Checking & Money Market	100,415	(9,443)	90,972
Program - NMSU Business College	Money Market	852	-	852
Less Cash Allocated to NMSU for AHIT (Program)	Held in Trust	(1,906,228)	-	(1,906,228)
<b>INVESTMENT CASH - MERRILL LYNCH MANAGERS:</b>				
Short Term Investment Fund	Money Market	725,703	-	725,703
Cambiar Intl Value	Money Market	610,585	-	610,585
Invesco	Money Market	1,119,195	-	1,119,195
Eagle LCV	Money Market	1,524,166	-	1,524,166
Private Equity	Money Market	74,045	-	74,045
NWQ	Money Market	56,572	-	56,572
Armstrong	Money Market	9,416,561	-	9,416,561
Loomis - TMA	Money Market	262,068	-	262,068
Santa Barbara	Money Market	276,163	-	276,163
APEX	Money Market	43,051	-	43,051
Eagle SCG	Money Market	88,307	-	88,307
Western	Money Market	126,816	-	126,816
Tortoise MLP	Money Market	1,167,707	-	1,167,707
WCMA	Money Market	69,387	-	69,387
Cohen and Steers	Money Market	20,452	-	20,452
Earnest SCV	Money Market	48,734	-	48,734
Title V	Money Market	20,526	-	20,526
ALT Investments	Money Market	189,395	-	189,395
ALTA	Money Market	4,361	-	4,361
Less Cash Allocated to NMSU for AHIT	Held in Trust	(4,433,031)	-	(4,433,031)
Total Cash		<u>\$ 23,244,999</u>	<u>\$ 41,548</u>	<u>\$ 23,286,547</u>
<b>INVESTMENTS - MERRILL LYNCH:</b>				
Corporate Stocks and Bonds	Investment	\$ 61,555,800	\$ -	\$ 61,555,800
Limited Partnerships - Alternative	Investment	28,898,765	-	28,898,765
Mutual Funds	Investment	18,799,170	-	18,799,170
Mortgage Backed Securities	Investment	3,259,176	-	3,259,176
Mortgage Backed Securities - Foreign	Investment	1,077,515	-	1,077,515
U.S. Government and Agency Securities	Investment	1,230,891	-	1,230,891
Total Investments - Merrill Lynch		<u>114,821,317</u>	<u>-</u>	<u>114,821,317</u>
Real Estate Holdings	Investment	2,000,700	-	2,000,700
Short-term Investments	Investment	385,307	-	385,307
Accrued Investment Interest	Investment	30,858	-	30,858
Total Other Investments		<u>2,416,865</u>	<u>-</u>	<u>2,416,865</u>
Total Investments		<u>\$ 117,238,182</u>	<u>\$ -</u>	<u>\$ 117,238,182</u>

**NOTE 13 - Fair Value of Assets and Liabilities****Assets**

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

**Level 1**

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include exchange traded equities.

**Level 2**

If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include governmental and corporate bonds, foreign obligations, and collateralized mortgage backed securities.

**Level 3**

Investments classified within Level 3 have significant unobservable inputs. Level 3 assets trade infrequently, as a result there are not many reliable market prices for them. Level 3 investments include real estate.

Transfers of investments between different levels of the fair value hierarchy, if any, are recorded as of the beginning of the reporting period. There were no transfers in 2018 and 2017.

In certain cases, both observable and unobservable inputs may be used to determine the fair value of investments and, in such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The degree of judgment exercised in determining fair value is greatest for investments in Level 3. Because of the inherent uncertainty of valuation, those estimated value may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

The Foundation's Investment Committee (the Committee) oversees the endowment pool of investments, Foundation's Pooled Endowment Fund (the Fund). The Committee has engaged the professional investment management consultant Merrill Lynch Wealth Management (Merrill Lynch) to assist them in strategic planning for the Fund. Merrill Lynch acts as a liaison between the investment managers and the Committee and will interpret performance results of the Fund.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018 and 2017.

**Government Securities and Corporate Stocks and Bonds** are valued at the closing price reported on the major market on which the individual securities are traded or have reported broker trades which may be considered indicative of an active market. Where quoted prices are available in an active market, the investments are classified within Level 1 of the valuation hierarchy. If quoted prices are not available for the specific security, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, discounted cash flows and other observable inputs. Such securities would be classified within Level 2 of the valuation hierarchy.

**Equity Securities** are valued at the closing price reported on the active market on which the individual securities are traded.

**Mutual Funds** are valued at market rates such as quoted prices for similar assets or liabilities. They may also be valued by quoted prices in markets that are not active.

**Hedge Fund and Venture Capital Investments**, which are not readily marketable, are carried at estimated net asset value (NAV) as a practical expedient to fair value. Fair value is based upon information provided by the management of each Fund, including audited financial statements and any other relevant factors. Because of the absence of a readily determinable fair value and the inherent uncertainty of valuation, the estimated fair value may differ significantly from the value that would have been used had a ready market for the investment existed, and the difference could be material. These investments are not immediately redeemable at the reporting date.

**Real Estate** is valued at current appraisal or fair value. Real estate is traded infrequently and is classified within Level 3 of the valuation hierarchy due to having no observable measures and the appraiser must rely solely on experience and knowledge of the market.



An event where some of NMSU's most passionate supporters dress up, dance, bid and come together in support of the state's high academic achieving students set a new scholarship fundraising record in April 2018. The President's Associates Ball not only shattered goals in attendance and scholarship dollars but also netted one of the highest amounts for a nonprofit fundraiser in the region. This year, more than 350 attendees, as well as those who bid in an online auction, raised more than \$75,000 that will provide freshman President's Associates Scholars with NMSU's most prestigious scholarship.



**NOTE 13 - Fair Value of Assets and Liabilities (Continued)**

The following table presents the fair value measurements of Foundation assets recognized in the accompanying Consolidated Statements of Financial Position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2018:

2018	<i>Quoted Prices in Active Markets For Identical Assets Level 1</i>	<i>Significant Other Observable Inputs Level 2</i>	<i>Significant Unobservable Inputs Level 3</i>	<i>Investments Measured at Net Asset Value<sup>1</sup></i>	<i>Balance as of June 30, 2018</i>
<b>CORPORATE STOCKS AND BONDS:</b>					
Foreign Emerging Markets	\$ 13,823,785	\$ -	\$ -	\$ -	\$ 13,823,785
Large Cap Value	13,161,166	-	-	-	13,161,166
Large Cap Growth	11,806,939	-	-	-	11,806,939
Large Cap Dividend	9,571,091	-	-	-	9,571,091
Foreign Developed Markets	8,564,069	-	-	-	8,564,069
Small Cap Value	5,079,232	-	-	-	5,079,232
Small Cap Growth	3,610,756	-	-	-	3,610,756
Corporate Bonds	-	1,106,322	-	-	1,106,322
<b>Total Corporate Stocks and Bonds</b>	<b>65,617,038</b>	<b>1,106,322</b>	-	-	<b>66,723,360</b>
<b>MUTUAL FUNDS:</b>					
Mutual Funds	25,912,120	-	-	-	25,912,120
<b>Total Mutual Funds</b>	<b>25,912,120</b>	-	-	-	<b>25,912,120</b>
<b>MORTGAGE BACKED SECURITIES:</b>					
Mortgage Backed Securities	1,415,199	1,242,658	-	-	2,657,857
<b>Total Mortgage Backed Securities</b>	<b>1,415,199</b>	<b>1,242,658</b>	-	-	<b>2,657,857</b>
<b>MORTGAGE BACKED SECURITIES - FOREIGN:</b>					
Foreign Mortgage Backed Securities	1,294,830	-	-	-	1,294,830
<b>Total Mortgage Backed Securities - Foreign</b>	<b>1,294,830</b>	-	-	-	<b>1,294,830</b>
<b>U.S. GOVERNMENT AND AGENCY SECURITIES:</b>					
Government Bonds	-	834,027	-	-	834,027
<b>Total U.S. Government and Agency Securities</b>	-	<b>834,027</b>	-	-	<b>834,027</b>
<b>REAL ESTATE HOLDINGS:</b>					
Land and Building	-	-	2,322,528	-	2,322,528
<b>Total Real Estate Holdings</b>	-	-	<b>2,322,528</b>	-	<b>2,322,528</b>
<b>LIMITED PARTNERSHIPS - ALTERNATIVE:</b>					
Hedge Fund Investments:					
Multi-Strategy	-	-	-	23,663,362	23,663,362
Equity Long/Short	-	-	-	4,399,421	4,399,421
Domestic Venture Capital Investments	-	-	-	4,056,633	4,056,633
<b>Total Limited Partnerships - Alternative</b>	-	-	-	<b>32,119,416</b>	<b>32,119,416</b>
<b>Total</b>	<b>\$ 94,239,187</b>	<b>\$ 3,183,007</b>	<b>\$ 2,322,528</b>	<b>\$ 32,119,416</b>	<b>\$ 131,864,138</b>

<sup>1</sup>Investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

**NOTE 13 - Fair Value of Assets and Liabilities (Continued)**

The following table presents the fair value measurements of Foundation assets recognized in the accompanying Consolidated Statements of Financial Position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2017:

2017	<i>Quoted Prices in Active Markets For Identical Assets Level 1</i>	<i>Significant Other Observable Inputs Level 2</i>	<i>Significant Unobservable Inputs Level 3</i>	<i>Investments Measured at Net Asset Value<sup>1</sup></i>	<i>Balance as of June 30, 2017</i>
<b>CORPORATE STOCKS AND BONDS:</b>					
Foreign Emerging Markets	\$ 12,761,320	\$ -	\$ -	\$ -	\$ 12,761,320
Large Cap Value	11,541,832	-	-	-	11,541,832
Large Cap Dividend	11,028,580	-	-	-	11,028,580
Large Cap Growth	9,958,673	-	-	-	9,958,673
Foreign Developed Markets	8,433,293	-	-	-	8,433,293
Small Cap Value	4,496,214	-	-	-	4,496,214
Small Cap Growth	1,762,018	-	-	-	1,762,018
Corporate Bonds	-	1,573,870	-	-	1,573,870
<b>Total Corporate Stocks and Bonds</b>	<b>59,981,930</b>	<b>1,573,870</b>	<b>-</b>	<b>-</b>	<b>61,555,800</b>
<b>MUTUAL FUNDS:</b>					
Mutual Funds	18,799,170	-	-	-	18,799,170
<b>Total Mutual Funds</b>	<b>18,799,170</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,799,170</b>
<b>MORTGAGE BACKED SECURITIES:</b>					
Mortgage Backed Securities	1,753,456	1,505,720	-	-	3,259,176
<b>Total Mortgage Backed Securities</b>	<b>1,753,456</b>	<b>1,505,720</b>	<b>-</b>	<b>-</b>	<b>3,259,176</b>
<b>MORTGAGE BACKED SECURITIES - FOREIGN:</b>					
Foreign Mortgage Backed Securities	1,077,515	-	-	-	1,077,515
<b>Total Mortgage Backed Securities - Foreign</b>	<b>1,077,515</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,077,515</b>
<b>U.S. GOVERNMENT AND AGENCY SECURITIES:</b>					
Government Bonds	-	1,230,891	-	-	1,230,891
<b>Total U.S. Government and Agency Securities</b>	<b>-</b>	<b>1,230,891</b>	<b>-</b>	<b>-</b>	<b>1,230,891</b>
<b>REAL ESTATE HOLDINGS:</b>					
Land and Building	-	-	2,000,700	-	2,000,700
<b>Total Real Estate Holdings</b>	<b>-</b>	<b>-</b>	<b>2,000,700</b>	<b>-</b>	<b>2,000,700</b>
<b>LIMITED PARTNERSHIPS - ALTERNATIVE:</b>					
Hedge Fund Investments:					
Multi-Strategy	-	-	-	21,393,831	21,393,831
Equity Long/Short	-	-	-	5,181,637	5,181,637
Domestic Venture Capital Investments	-	-	-	2,323,297	2,323,297
<b>Total Limited Partnerships - Alternative</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,898,765</b>	<b>28,898,765</b>
<b>Total</b>	<b>\$ 81,612,071</b>	<b>\$ 4,310,481</b>	<b>\$ 2,000,700</b>	<b>\$ 28,898,765</b>	<b>\$ 116,822,017</b>

<sup>1</sup>Investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.



**NOTE 13 - Fair Value of Assets and Liabilities (Continued)**

As mentioned in Note 5, the Foundation holds investments on behalf of the University. The following table presents the fair value measurements of assets held in trust for New Mexico State University, excluding cash, recognized in the accompanying Consolidated Statements of Financial Position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2018:

2018	Quoted Prices in Active Markets For Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Investments Measured at Net Asset Value <sup>1</sup>	Balance as of June 30, 2018
<b>CORPORATE STOCKS AND BONDS:</b>					
Foreign Emerging Markets	\$ 4,746,587	\$ -	\$ -	\$ -	\$ 4,746,587
Large Cap Value	4,519,972	-	-	-	4,519,972
Large Cap Growth	4,042,086	-	-	-	4,042,086
Large Cap Dividend	3,286,366	-	-	-	3,286,366
Foreign Developed Markets	2,940,591	-	-	-	2,940,591
Small Cap Value	1,744,024	-	-	-	1,744,024
Small Cap Growth	1,239,803	-	-	-	1,239,803
Corporate Bonds	-	379,871	-	-	379,871
<b>Total Corporate Stocks and Bonds</b>	<b>22,519,429</b>	<b>379,871</b>	<b>-</b>	<b>-</b>	<b>22,899,300</b>
<b>MUTUAL FUNDS:</b>					
Mutual Funds	6,439,021	-	-	-	6,439,021
<b>Total Mutual Funds</b>	<b>6,439,021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,439,021</b>
<b>MORTGAGE BACKED SECURITIES:</b>					
Mortgage Backed Securities	485,928	426,684	-	-	912,612
<b>Total Mortgage Backed Securities</b>	<b>485,928</b>	<b>426,684</b>	<b>-</b>	<b>-</b>	<b>912,612</b>
<b>MORTGAGE BACKED SECURITIES - FOREIGN:</b>					
Foreign Mortgage Backed Securities	444,597	-	-	-	444,597
<b>Total Mortgage Backed Securities - Foreign</b>	<b>444,597</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>444,597</b>
<b>U.S. GOVERNMENT AND AGENCY SECURITIES:</b>					
Government Bonds	-	286,374	-	-	286,374
<b>Total U.S. Government and Agency Securities</b>	<b>-</b>	<b>286,374</b>	<b>-</b>	<b>-</b>	<b>286,374</b>
<b>REAL ESTATE HOLDINGS:</b>					
Land and Building	-	-	797,472	-	797,472
<b>Total Real Estate Holdings</b>	<b>-</b>	<b>-</b>	<b>797,472</b>	<b>-</b>	<b>797,472</b>
<b>LIMITED PARTNERSHIPS - ALTERNATIVE:</b>					
Hedge Fund Investments:					
Multi-Strategy	-	-	-	8,125,142	8,125,142
Equity Long/Short	-	-	-	1,510,602	1,510,602
Domestic Venture Capital Investments	-	-	-	1,392,900	1,392,900
<b>Total Limited Partnerships - Alternative</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,028,644</b>	<b>11,028,644</b>
<b>Total</b>	<b>\$ 29,888,975</b>	<b>\$ 1,092,929</b>	<b>\$ 797,472</b>	<b>\$ 11,028,644</b>	<b>\$ 42,808,020</b>

<sup>1</sup>Investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

**NOTE 13 - Fair Value of Assets and Liabilities (Continued)**

As mentioned in Note 5, the Foundation holds investments on behalf of the University. The following table presents the fair value measurements of assets held in trust for New Mexico State University, excluding cash, recognized in the accompanying Consolidated Statements of Financial Position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2017:

2017	<i>Quoted Prices in Active Markets For Identical Assets Level 1</i>	<i>Significant Other Observable Inputs Level 2</i>	<i>Significant Unobservable Inputs Level 3</i>	<i>Investments Measured at Net Asset Value<sup>1</sup></i>	<i>Balance as of June 30, 2017</i>
<b>CORPORATE STOCKS AND BONDS:</b>					
Foreign Emerging Markets	\$ 4,460,434	\$ -	\$ -	\$ -	\$ 4,460,434
Large Cap Value	4,034,190	-	-	-	4,034,190
Large Cap Dividend	3,854,794	-	-	-	3,854,794
Large Cap Growth	3,430,471	-	-	-	3,430,471
Foreign Developed Markets	2,947,669	-	-	-	2,947,669
Small Cap Value	1,571,551	-	-	-	1,571,551
Small Cap Growth	615,874	-	-	-	615,874
Corporate Bonds	-	550,111	-	-	550,111
<b>Total Corporate Stocks and Bonds</b>	<b>20,914,983</b>	<b>550,111</b>	<b>-</b>	<b>-</b>	<b>21,465,094</b>
<b>MUTUAL FUNDS:</b>					
Mutual Funds	4,849,381	-	-	-	4,849,381
<b>Total Mutual Funds</b>	<b>4,849,381</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,849,381</b>
<b>MORTGAGE BACKED SECURITIES:</b>					
Mortgage Backed Securities	612,881	526,291	-	-	1,139,172
<b>Total Mortgage Backed Securities</b>	<b>612,881</b>	<b>526,291</b>	<b>-</b>	<b>-</b>	<b>1,139,172</b>
<b>MORTGAGE BACKED SECURITIES - FOREIGN:</b>					
Foreign Mortgage Backed Securities	376,621	-	-	-	376,621
<b>Total Mortgage Backed Securities - Foreign</b>	<b>376,621</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>376,621</b>
<b>U.S. GOVERNMENT AND AGENCY SECURITIES:</b>					
Government Bonds	-	430,230	-	-	430,230
<b>Total U.S. Government and Agency Securities</b>	<b>-</b>	<b>430,230</b>	<b>-</b>	<b>-</b>	<b>430,230</b>
<b>REAL ESTATE HOLDINGS:</b>					
Land and Building	-	-	699,300	-	699,300
<b>Total Real Estate Holdings</b>	<b>-</b>	<b>-</b>	<b>699,300</b>	<b>-</b>	<b>699,300</b>
<b>LIMITED PARTNERSHIPS - ALTERNATIVE:</b>					
Hedge Fund Investments:					
Multi-Strategy	-	-	-	7,477,736	7,477,736
Equity Long/Short	-	-	-	1,811,126	1,811,126
Domestic Venture Capital Investments	-	-	-	812,056	812,056
<b>Total Limited Partnerships - Alternative</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,100,918</b>	<b>10,100,918</b>
<b>Total</b>	<b>\$ 26,753,866</b>	<b>\$ 1,506,632</b>	<b>\$ 699,300</b>	<b>\$ 10,100,918</b>	<b>\$ 39,060,716</b>

<sup>1</sup>Investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

**NOTE 13 - Fair Value of Assets and Liabilities (Continued)**

The Foundation's interest in real estate investments represents 1.8% and 1.7% of the total investments held by the Foundation as of June 30, 2018 and 2017, respectively. The Foundation's interest in limited partnerships represents 24% and 25% of the total investments held by the Foundation at June 30, 2018 and 2017, respectively. These instruments may contain elements of both credit and market risk. Such risks include, but are not limited to, limited liquidity, absence of regulatory oversight, dependence upon key individuals, emphasis on speculative investments (both derivatives and non-marketable investments), and nondisclosure of portfolio composition.

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying Consolidated Statements of Financial Position using significant unobservable (Level 3) inputs:

	<i>Real Estate (Land and Building)</i>	
	<b>2018</b>	<b>2017</b>
Beginning Balance at July 1st	\$ 2,000,700	\$ 397,888
Unrealized Gains	16,126	74,100
Capital Improvements / Purchases	305,702	1,926,600
Sales	-	(397,888)
<b>Ending Balance at June 30th</b>	<b>\$ 2,322,528</b>	<b>\$ 2,000,700</b>

Net unrealized gains on real estate investments of \$16,126 and \$74,100 are related to assets still held at June 30, 2018 and are included in the line "Net investment income" in the Consolidated Statement of Activities for the year ended June 30, 2018 and 2017, respectively.

The following table summarizes the nature of the Foundation's alternative investments in funds valued based on net asset value as a practical expedient for fair value at June 30, 2018 and 2017.

	<i>Fair Value at June 30th</i>		<i>Unfunded Commitments</i>	<i>Redemption Frequency</i>	<i>Maximum Redemption Notice Period</i>
	<b>2018</b>	<b>2017</b>			
<b>HEDGE FUND INVESTMENTS:</b>					
Multi-Strategy	\$ 23,663,362	\$ 21,393,831	\$ -	Monthly	45 Days
Equity Long/Short	4,399,421	5,181,637	1,180,604	Monthly	30 Days
<b>Total Hedge Fund Investments</b>	<b>28,062,783</b>	<b>26,575,468</b>	<b>1,180,604</b>		
<b>DOMESTIC VENTURE CAPITAL INVESTMENTS:</b>					
Venture Capital	4,056,633	2,323,297	-	None	None
<b>Total Domestic Venture Capital Investments</b>	<b>4,056,633</b>	<b>2,323,297</b>	<b>-</b>		
<b>Ending Balance at June 30th</b>	<b>\$ 32,119,416</b>	<b>\$ 28,898,765</b>	<b>\$ 1,180,604</b>		

With one swift swing of the club and onlooking, cheering Aggie fans, Aaron Ramsey paid off his first year studying at NMSU. Ramsey, a senior at Las Cruces High School, will attend NMSU in the fall tuition-free after out-scoring four other participants in a game of putt-putt during halftime of an Aggie Men's basketball game. Sponsored by the NMSU Foundation, the competition invited five randomly-selected, incoming NMSU freshmen to come on court and compete for the \$7,500 scholarship.



**NOTE 13 - Fair Value of Assets and Liabilities (Continued)**

The University's interest in real estate investments represents 1.9% and 1.8% of the total investments held by the Foundation on behalf of the University (See Note 5), at June 30, 2018 and 2017, respectively. The University's interest in limited partnerships represents 26% of the total investments held by the Foundation on behalf of the University at June 30, 2018 and 2017. These instruments may contain elements of both credit and market risk. Such risks include, but are not limited to, limited liquidity, absence of regulatory oversight, dependence upon key individuals, emphasis on speculative investments (both derivatives and non-marketable investments), and nondisclosure of portfolio composition.

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying Consolidated Statements of Financial Position using significant unobservable (Level 3) inputs:

	<i>Real Estate (Land and Building)</i>	
	<i>2018</i>	<i>2017</i>
Beginning Balance at July 1st	\$ 699,300	\$ 144,112
Total Unrealized (Losses) / Gains	(6,795)	25,900
Capital Improvements / Purchases	104,967	673,400
Sales	-	(144,112)
<b>Ending Balance at June 30th</b>	<b>\$ 797,472</b>	<b>\$ 699,300</b>

Net unrealized (losses) gains on the University real estate investments of (\$6,795) and \$25,900 are related to assets still held at June 30, 2018, and are included in the line "Net investment income" in the Consolidated Statement of Activities for the year ended June 30, 2018 and 2017, respectively.

The following table summarizes the nature of the University's alternative investments in funds valued at net asset value as a practical expedient for fair value at June 30, 2018 and 2017.

	<i>Fair Value at June 30th</i>		<i>2018</i>		
	<i>2018</i>	<i>2017</i>	<i>Unfunded Commitments</i>	<i>Redemption Frequency</i>	<i>Maximum Redemption Notice Period</i>
<b>HEDGE FUND INVESTMENTS:</b>					
Multi-Strategy	\$ 8,125,142	\$ 7,477,736	\$ -	Monthly	45 Days
Equity Long/Short	1,510,602	1,811,126	405,376	Monthly	30 Days
<b>Total Hedge Fund Investments</b>	<b>9,635,744</b>	<b>9,288,862</b>	<b>405,376</b>		
<b>DOMESTIC VENTURE CAPITAL INVESTMENTS:</b>					
Venture Capital	1,392,900	812,056	-	None	None
<b>Total Domestic Venture Capital Investments</b>	<b>1,392,900</b>	<b>812,056</b>	<b>-</b>		
<b>Ending Balance at June 30th</b>	<b>\$ 11,028,644</b>	<b>\$ 10,100,918</b>	<b>\$ 405,376</b>		

With the help of more than 160 donors, the NMSU Foundation presented Head Coach Doug Martin with a check worth almost \$42,000 raised through the university's "Make a STATEMENT" crowdfunding platform. All of the donations support the team's recruitment efforts as well as retaining the high-quality coaches that led the team to victory at the NOVA Home Loans Arizona Bowl game in December 2017.



**NOTE 13 - Fair Value of Assets and Liabilities (Continued)**

Securities classified using net asset value as a practical expedient for fair value investments are based on valuations provided by the external investment manager, Merrill Lynch. The Investment Committee, in conjunction with Merrill Lynch, monitors and analyzes the valuation of the investments on a quarterly basis. The Investment Committee reports to the Foundation Board of Directors. The investments valued at net asset value had the following investment strategies per the Foundation's investment committee:

Hedge fund investments, including equity long/short, are defined as private investment vehicles that utilize non-traditional investing techniques in pursuit of superior risk-adjusted returns. These are specialist investment managers with various strategies across the spectrum of event driven, opportunistic or value driven styles. The funds may employ leverage and may employ short position in order to implement their strategy. The Fund may utilize direct investment into individual hedge funds or a fund of funds with a minimum of five different core hedge fund strategies.

Hedge funds are unregulated by the SEC, therefore the Committee must rely on detailed third party preliminary and ongoing due diligence. Through Merrill Lynch, the Committee ensures that due diligence will take place. Each fund is evaluated against peer groups and passive indices that best compare the investment manager's value added over those benchmarks. Value added is defined as the funds absolute performance, relative performance, standard deviation and its correlation value to the total Fund portfolio.

Domestic venture capital investments (VC) is financial capital provided to early-stage, high-potential, high-risk, growth startup companies. The venture capital fund makes money by owning equity in the companies it invests in, which usually have a novel technology or business model in high technology industries. The typical venture capital investment occurs after the seed funding round as growth funding round (also referred as Series A round) in the interest of generating a return through an eventual realization event, such as an IPO or trade sale of the company.

**NOTE 14 - Endowment**

New Mexico State University Foundation's endowment consists of 1,649 and 1,553 individual funds established for a variety of purposes as of June 30, 2018 and 2017, respectively. The endowment includes both donor-restricted endowment funds and funds designated by internal sources to function as endowments. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. At the beginning of fiscal year 2010, an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) became effective for the State to whose law this Foundation is subject.

**Interpretation of Relevant Law**

New Mexico State University Foundation, Inc. classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure. This is in a manner consistent with the standard of prudence prescribed by New Mexico Uniform Prudent Management of Institutional Funds Act (NMUPMIFA) as requiring the preservation of the fair value of original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. In accordance with NMUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purposes of the Organization and the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The possible effect of inflation and deflation.
- (5) The expected total return from income and the appreciation of investments.
- (6) Other resources of the Organization.
- (7) The investment policies of the Organization.

The composition of net assets by type of endowment fund at June 30, 2018 and 2017, were as shown on the following page.



The STEM TECH Lab at NMSU was renamed the “Jack & MaryLou Davis STEM TECH Lab” in April 2018, in honor of the couple’s generous donation that enabled the lab’s continued positive impact on area youth and created scholarships in the Colleges of Education and Engineering. NMSU’s lab is one of only a handful in the country, which brings in hundreds of K-8 students from throughout the Las Cruces community and uses high-tech simulation and other novel gadgets to teach STEM concepts.



**NOTE 14 - Endowment (Continued)**

**2018**

**ENDOWMENT NET ASSET COMPOSITION BY TYPE OF FUND**

As of June 30, 2018

<b>2018</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 31,875,068	\$ 99,699,881	\$ 131,574,949
Board-designated endowment funds	<u>2,427,100</u>	<u>-</u>	<u>-</u>	<u>2,427,100</u>
Total funds	<u>\$ 2,427,100</u>	<u>\$ 31,875,068</u>	<u>\$ 99,699,881</u>	<u>\$ 134,002,049</u>

**CHANGES IN ENDOWMENT NET ASSETS**

For the Fiscal Year Ended June 30, 2018

<b>2018</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment Net Assets, beginning of the year	\$ 1,983,046	\$ 28,280,332	\$ 94,406,368	\$ 124,669,746
Designation of unrestricted - change in undesignated funds to cover deficiencies of perpetual endowments	<u>435,118</u>	<u>(435,118)</u>	<u>-</u>	<u>-</u>
Endowment Net Assets after reclassification	<u>2,418,164</u>	<u>27,845,214</u>	<u>94,406,368</u>	<u>124,669,746</u>
Investment Return: Investment Income	-	4,287,577	-	4,287,577
Net appreciation (realized and unrealized)	<u>-</u>	<u>4,880,645</u>	<u>-</u>	<u>4,880,645</u>
Total investment return	<u>-</u>	<u>9,168,222</u>	<u>-</u>	<u>9,168,222</u>
Contributions, Reversions and changes in Donor Restrictions	8,936	(467,070)	5,293,513	4,835,379
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(4,671,298)</u>	<u>-</u>	<u>(4,671,298)</u>
Endowment Net Assets, end of year	<u>\$ 2,427,100</u>	<u>\$ 31,875,068</u>	<u>\$ 99,699,881</u>	<u>\$ 134,002,049</u>

**NOTE 14 - Endowment (Continued)****2017****ENDOWMENT NET ASSET COMPOSITION BY TYPE OF FUND**

As of June 30, 2017

<b>2017</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 28,280,332	\$ 94,406,368	\$ 122,686,700
Board-designated endowment funds	<u>1,983,046</u>	<u>-</u>	<u>-</u>	<u>1,983,046</u>
Total funds	<u>\$ 1,983,046</u>	<u>\$ 28,280,332</u>	<u>\$ 94,406,368</u>	<u>\$ 124,669,746</u>

**CHANGES IN ENDOWMENT NET ASSETS**

For the Fiscal Year Ended June 30, 2017

<b>2017</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment Net Assets, beginning of the year	\$ (348,400)	\$ 21,362,371	\$ 88,740,173	\$ 109,754,144
Designation of unrestricted - change in undesignated funds to cover deficiencies of perpetual endowments	<u>2,316,454</u>	<u>(2,316,454)</u>	<u>-</u>	<u>-</u>
Endowment Net Assets after reclassification	<u>1,968,054</u>	<u>19,045,917</u>	<u>88,740,173</u>	<u>109,754,144</u>
Investment Return: Investment Income	-	3,257,881	-	3,257,881
Net appreciation (realized and unrealized)	<u>-</u>	<u>10,260,395</u>	<u>-</u>	<u>10,260,395</u>
Total investment return	<u>-</u>	<u>13,518,276</u>	<u>-</u>	<u>13,518,276</u>
Contributions, Reversions and changes in Donor Restrictions	14,992	155,608	5,666,195	5,836,795
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(4,439,469)</u>	<u>-</u>	<u>(4,439,469)</u>
Endowment Net Assets, end of year	<u>\$ 1,983,046</u>	<u>\$ 28,280,332</u>	<u>\$ 94,406,368</u>	<u>\$ 124,669,746</u>

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in unrestricted net assets are \$1,179,494 and \$1,614,612 as of June 30, 2018 and 2017, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board.



**NOTE 14 - Endowment (Continued)**

**Return Objectives and Risk Parameters**

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that must be held in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of investment vehicle specific benchmarks while assuming an appropriate level of risk. The Investment Policy calls for expectation of 5.5% plus the rate of the Consumer Price Index. Actual returns in any given year may vary.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

In accordance with the Foundation's Investment Policy approved by the Board of Directors, a distribution is calculated for the upcoming year as of March 31 of the prior year. The spending formula used is described in the Investment Policy and is composed of two factors: 80% of the distribution is based on the previous year's distribution amount adjusted for the Higher Education Price Index, and 20% of the distribution is based on the market value of the endowment at the end of each fiscal quarter. This amount is then distributed to the beneficiary colleges, departments, units and programs at June 30 of the next year. The distribution of the annual calculation is based on the unitized system ownership of each fund.

**NOTE 15 - Subsequent Events**

Subsequent events are events or transactions that occur after the Consolidated Statement of Financial Position date but before consolidated financial statements are available to be issued. The Foundation recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. The Foundation's Consolidated Financial Statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the consolidated statement of financial position date and before consolidated financial statements are available to be issued.

During FY 2018 the Foundation was informed that a donor passed away and, per the trust, the Foundation is a beneficiary. Subsequent to June 30, 2018 the Foundation met the trust requirements for distribution which may start in FY 2019. The amount and timing of the distribution cannot be determined as of October 29, 2018.

The Foundation has evaluated all other subsequent events from the consolidated balance sheet date through October 29, 2018, the date at which the consolidated financial statements were available to be issued, and determined there are no additional items to disclose.



In March 2018, NMSU and partners broke ground on a new visual arts building and gallery. The building will be named Devasthali Hall in honor of Ammu and Rama Devasthali, who have championed the project for several years. In total, \$3.1 million has been raised in private funds for the new facility. The building is expected to be ready for occupancy in Fall 2019.





KPMG LLP  
Two Park Square, Suite 700  
6565 Americas Parkway, N.E.  
Albuquerque, NM 87110-8179

## **Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

The Board of Directors  
New Mexico State University Foundation, Inc.  
and  
Mr. Wayne Johnson, 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 consolidated financial statements of New Mexico State University Foundation, Inc. and its subsidiaries (the Foundation), which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 12, 2018.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Foundation'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 Foundation's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation'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 Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Albuquerque, New Mexico  
December 12, 2018

**NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES**  
**Summary Schedule of Prior Year Audit Findings and Schedule of Findings and Responses**  
**For the Years ended June 30, 2018 and 2017**

**Summary Schedule of Prior Year Audit Findings**

**None**

**Schedule of Findings and Responses for Current Year**

**None**

NEW MEXICO STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

Exit Conference

For the Years ended June 30, 2018 and 2017

An Exit Conference was held at the Foundation on October 29, 2018, to discuss the current audit report and current and prior year auditor's comments. The parties agreed to the factual accuracy of the comments contained herein. In attendance were the following individuals:

Representing the Board of Directors for New Mexico State University Foundation, Inc. and Subsidiaries:

Raul Prieto	Chair, Audit Committee, Member, Board of Directors
George Kozeliski	Vice Chair, Audit Committee, Member, Board of Directors
Nicole Louvar	Member, Audit Committee, Member, Board of Directors
MaryLou Davis	Ex Officio, Audit Committee, Chair, Board of Directors

Representing New Mexico State University Foundation, Inc. and Subsidiaries:

Randy Frye, CPA	Director, Financial Services, University Advancement Controller, New Mexico State University Foundation, Inc. and Subsidiaries
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Representing KPMG LLP:

Suzette Longfellow, Managing Director  
Pepper Cooper, Senior Manager  
Zachary Anderson, Senior Associate

FINANCIAL STATEMENT PREPARATION

The Foundation's Consolidated Financial Statements were prepared by the Foundation's accountants.



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