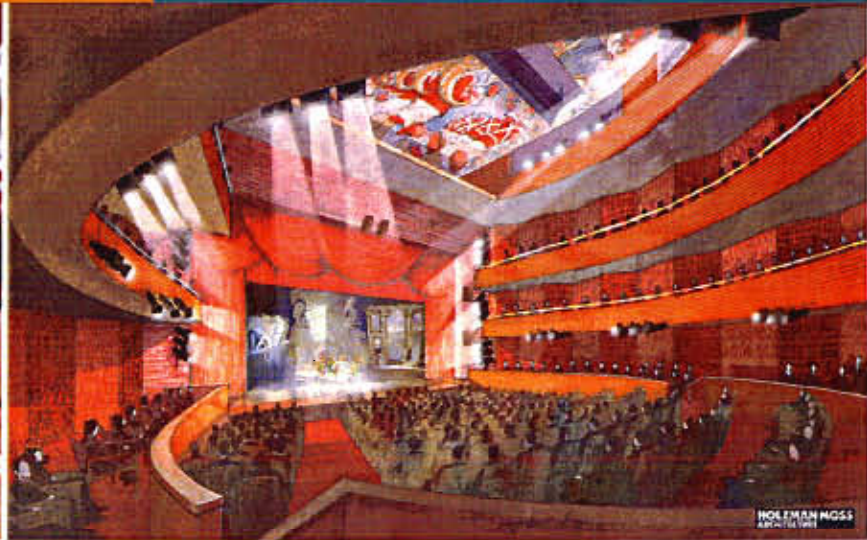


**New Mexico State University Foundation, Inc.
and Subsidiaries**

**Financial
Statements**

**For the Years Ended
June 30, 2008 and 2007**



NM
STATE
UNIVERSITY
FOUNDATION
INC.



**New Mexico
State University
Foundation, Inc.
and Subsidiaries**

Financial Statements

For the Years Ended
June 30, 2008 and 2007

Together with Independent Auditors' Report

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New Mexico State University Foundation, Inc. and Subsidiaries

Board Members

Mr. Herman Baca	Lt. General Leo Marquez
Ms. Lee Ellen Banks	Mr. Tom Mobley, Jr.
Mr. Dino Camunez	Dr. Reynaldo Ortiz
Ms. Martha Corder	Mr. John Papen, III
Mr. Jack Cooper	Mrs. Libby Pruett
Mr. Thurman Case	Mr. Paul Queen
Dr. Jack Cole	Dr. Jo Raabe-Asprey
Mr. John Cordova	The Honorable Larry Ramirez
Mrs. MaryLou Davis	Dr. Bobby Rankin
Mr. Del Esparza	Mr. Ben Salopek
Dr. Tom Gale	Mr. Scott Smith
Mrs. Jari Grimm	Mr. Dan Socolofsky
Mr. Jake Hill	Mr. Lonnie Terry
Dr. Mike Johnson	Mr. Charles Tharp
Mr. Terry Johnson	Mr. Ralph Torres
Mr. Pat Lamb	Mr. José Uranga
Mr. John Long	Dr. Danny Villanueva
Mr. Dave Lopez	Mr. Jack Ward
Dr. Patty Lopez	Mr. Scott Williams
Dr. Ed Lujan, Sr.	Mr. Browning Yelvington

Mr. Nick Franklin

Executive Director

Independent Auditors' Report

Board of Directors
New Mexico State University Foundation, Inc. and Subsidiaries and
Mr. Hector Balderas
New Mexico State Auditor

We have audited the accompanying consolidated statement of financial position of New Mexico State University Foundation, Inc. and Subsidiaries (Foundation) (a component unit of New Mexico State University) as of June 30, 2008, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The 2007 consolidated financial statements of New Mexico State University Foundation were audited by other auditors whose report, dated November 14, 2007, expressed an unqualified opinion on those consolidated statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Foundation'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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Foundation as of June 30, 2008, and the consolidated changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, the New Mexico State University Aggie Athletics Fund, Inc. was combined into the New Mexico State University Foundation. Accordingly, the 2007 consolidated financial statements have been restated and an adjustment has been made to net assets as of July 1, 2006 to account for the effect of this combination.

Board of Directors
New Mexico State University Foundation, Inc. and Subsidiaries and
Mr. Hector Balderas
New Mexico State Auditor

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2008 on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Moss Adams LLP

Albuquerque, New Mexico
November 12, 2008

New Mexico State University Foundation, Inc. and Subsidiaries
Statements of Financial Position
As of June 30, 2008 and 2007

	2008	2007 (as restated)
ASSETS		
Cash and cash equivalents	\$ 8,113,558	\$ 7,054,016
Short-term investments in securities (Note 3)	376,029	450,423
Contributions receivable, net	6,081,296	6,005,077
Property and equipment, net (Note 4)	167,452	496,943
Assets held in trust under split interest agreements	637,726	524,141
Assets held in trust for New Mexico State University (Note 5)	40,148,844	40,188,854
Assets held for long-term investment:		
Cash and cash equivalents	3,998,939	2,417,416
Securities (Note 6)	79,476,495	81,340,015
Accrued interest income	124,319	120,550
Notes receivable	-	244,605
Land and building	1,231,997	1,562,899
Other assets	2,596,231	1,387,798
Total assets	\$ 142,952,886	\$ 141,792,737
LIABILITIES AND NET ASSETS		
Liabilities:		
Split interest agreements payable	\$ 229,703	\$ 247,802
Gift annuities payable	1,826,830	1,612,174
Other liabilities	2,001,627	2,882,840
Due to New Mexico State University (Note 5)	1,219,715	1,222,531
Assets held in trust for New Mexico State University (Note 5)	40,148,844	40,188,854
Total liabilities	45,426,719	46,154,201
Net assets:		
Unrestricted	6,253,521	5,756,879
Temporarily restricted (Note 7)	29,133,713	32,629,637
Permanently restricted (Note 8)	62,138,933	57,252,020
Total net assets	97,526,167	95,638,536
Total liabilities and net assets	\$ 142,952,886	\$ 141,792,737

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

New Mexico State University Foundation, Inc. and Subsidiaries
Statement of Activities
For the Year ended June 30, 2008

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
REVENUES, GAINS AND OTHER SUPPORT:				
Private gifts	\$ 871,708	\$ 5,346,565	\$ 3,419,826	\$ 9,638,099
Net investment income (loss) (Note 10)	1,345,697	(2,906,730)	-	(1,561,033)
Management fees paid by New Mexico State University (Note 5)	543,640	-	-	543,640
Change in donor restrictions	(1,139,658)	(188,957)	1,328,615	-
Promotion and other income	5,228,881	586,205	18,435	5,833,521
Change in value of split interest agreements and gift annuities payable	-	83,970	120,037	204,007
Net assets released from donor restrictions (Note 11)	6,416,977	(6,416,977)	-	-
Total revenues, gains and other support	<u>13,267,245</u>	<u>(3,495,924)</u>	<u>4,886,913</u>	<u>14,658,234</u>
EXPENSES (Note 12):				
Program grants	8,902,738	-	-	8,902,738
Fund raising	1,463,425	-	-	1,463,425
Administration	2,404,440	-	-	2,404,440
Total expenses	<u>12,770,603</u>	<u>-</u>	<u>-</u>	<u>12,770,603</u>
CHANGE IN NET ASSETS	496,642	(3,495,924)	4,886,913	1,887,631
NET ASSETS, beginning of year (as restated)	<u>5,756,879</u>	<u>32,629,637</u>	<u>57,252,020</u>	<u>95,638,536</u>
NET ASSETS, end of year	<u>\$ 6,253,521</u>	<u>\$ 29,133,713</u>	<u>\$ 62,138,933</u>	<u>\$ 97,526,167</u>

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

New Mexico State University Foundation, Inc. and Subsidiaries
Statement of Activities
For the Year ended June 30, 2007

	<i>Unrestricted (as restated)</i>	<i>Temporarily Restricted (as restated)</i>	<i>Permanently Restricted (as restated)</i>	<i>Total (as restated)</i>
REVENUES, GAINS AND OTHER SUPPORT:				
Private gifts	\$ 1,236,575	\$ 5,707,430	\$ 4,468,206	\$ 11,412,211
Net investment income (Note 10)	2,477,376	8,013,778	-	10,491,154
Management fees paid by New Mexico State University (Note 5)	450,018	-	-	450,018
Change in donor restrictions	55,702	(408,956)	353,254	-
Promotion and other income	2,914,562	621,710	57,540	3,593,812
Change in value of split interest agreements and gift annuities payable	-	(5,819)	(55,003)	(60,822)
Net assets released from donor restrictions (Note 11)	5,446,321	(5,446,321)	-	-
	<u>12,580,554</u>	<u>8,481,822</u>	<u>4,823,997</u>	<u>25,886,373</u>
EXPENSES (Note 12):				
Program grants	9,237,331	-	-	9,237,331
Fund raising	1,356,394	-	-	1,356,394
Administration	2,023,287	-	-	2,023,287
	<u>12,617,012</u>	<u>-</u>	<u>-</u>	<u>12,617,012</u>
CHANGE IN NET ASSETS	(36,458)	8,481,822	4,823,997	13,269,361
NET ASSETS, beginning of year (as restated)	<u>5,793,337</u>	<u>24,147,815</u>	<u>52,428,023</u>	<u>82,369,175</u>
NET ASSETS, end of year (as restated)	<u>\$ 5,756,879</u>	<u>\$ 32,629,637</u>	<u>\$ 57,252,020</u>	<u>\$95,638,536</u>

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

New Mexico State University Foundation, Inc. and Subsidiaries
Statements of Cash Flows
For the Years ended June 30, 2008 and 2007

	2008	2007 <i>(as restated)</i>
Cash flows from operating activities:		
Change in net assets	\$ 1,887,631	\$ 13,269,361
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Loss (gain) on securities, net	3,641,837	(6,825,966)
Amortization of securities, net of accretion	(66,334)	(34,121)
Gifts of securities received	(441,202)	(2,373,524)
Depreciation	51,131	121,675
Loss on disposal of property and equipment	2,376	35,367
Loss on sale of property	-	1,942
Gifts of land received	-	(135,000)
Unrealized loss (gain) on land and building held for long-term investment	330,902	(117,066)
Unrealized gain on other assets	(7,424)	-
Contributions held for long-term investment	(4,507,341)	(5,401,751)
Dividends and interest held for long-term investment	(654,898)	(807,331)
Actuarial (loss) gain on obligations under split interest agreements	(18,099)	4,689
Actuarial gain on gift annuities payable	214,656	161,535
Net changes in assets and liabilities:		
Contributions receivable	(76,219)	(51,191)
Assets held in trust under split interest agreements	(5,404)	4,022
Accrued interest held for long-term investment	1,648	(14,129)
Other assets	(876,009)	(558,610)
Other liabilities	(881,213)	2,282,125
Due to New Mexico State University	(2,816)	(98,469)
Net cash flows used by operating activities	(1,406,778)	(536,442)
Cash flows from investing activities:		
Purchase of property and equipment	(49,016)	(102,554)
Change in cash and cash equivalents held for long-term investment	(1,422,031)	5,443,910
Sales and maturities of securities	64,084,048	47,116,651
Purchases of securities	(65,394,033)	(55,181,421)
Principal payments received on notes receivable for long-term investment	244,605	58,240
Purchase of land and building for investment	-	(593,818)
Proceeds from sale of land, property and equipment	-	225,942
Net cash flows used by investing activities	(2,536,427)	(3,033,050)
Cash flows from financing activities:		
Contributions held for long-term investment	4,507,341	5,401,751
Dividends and interest held for long-term investment	654,898	807,331
Payments of gift annuity obligations and principal payments made on notes payable and direct financing arrangement	(159,492)	(222,434)
Net cash flows provided by financing activities	5,002,747	5,986,648
Net increase in cash and cash equivalents	1,059,542	2,417,156
Cash and cash equivalents, beginning of year	7,054,016	4,636,860
Cash and cash equivalents, end of year	\$ 8,113,558	\$ 7,054,016

NMSU State University Foundation, Inc. and Subsidiaries
Notes to Financial Statements
For the Years ended June 30, 2008 and 2007

Note 1 - Organization and Activities

New Mexico State University (NMSU) Foundation, Inc. and its Subsidiaries (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 (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.

Prior to June 30, 2008, the New Mexico State University Aggie Athletics Fund (AAF) was combined into the New Mexico State University Foundation, Inc. and its Subsidiaries. Accordingly, the Foundation's financial statements have been restated to include the accounts and operations of AAF as if the combination occurred on July 1, 2006. Certain reclassifications have been made to the AAF historical accounts to conform to the Foundation's presentation. Table 1 below, using summarized data, shows the effect of the combination to the June 30, 2007 financial statements.

Table 1	<i>Foundation June 30, 2007 As Originally Reported</i>	<i>Aggie Athletics Fund June 30, 2007 As Originally Reported</i>	<i>Combination June 30, 2007 As Restated</i>
Statements of Financial Position			
Total Assets	\$ 140,659,695	\$ 1,133,042	\$ 141,792,737
Total Liabilities	\$ 43,511,811	\$ 2,642,390	\$ 46,154,201
Total Net Assets	\$ 97,147,884	\$ (1,509,348)	\$ 95,638,536
Statements of Activities			
Total Revenues, Gains and Other Support	\$ 22,515,274	\$ 3,371,099	\$ 25,886,373
Total Expenses	\$ 7,656,833	\$ 4,960,179	\$ 12,617,012
Total Changes in Net Assets	\$ 14,858,441	\$ (1,589,080)	\$ 13,269,361
Statements of Cash Flows			
Net increase in cash and cash equivalents	\$ 2,102,829	\$ 314,327	\$ 2,417,156

NMSU State University Foundation, Inc. and Subsidiaries
Notes to Financial Statements
For the Years ended June 30, 2008 and 2007

Table 2 below shows the effects of the combination, which occurred prior to June 30, 2008 for the year ended June 30, 2008. Although the combination happened prior to June 30, 2008 there was no significant financial activity subsequent to the combination and June 30, 2008. Therefore, the combination is shown as complete years for both the Foundation and Aggie Athletics Fund. AAF has the exclusive purpose of promoting and supporting the athletic endeavors of New Mexico State University.

Table 2	Foundation	Aggie Athletics	Combination
Statements of Financial Position	June 30, 2008	Fund	June 30, 2008
June 30, 2008	June 30, 2008	June 30, 2008	June 30, 2008
Total Assets	\$ 141,522,430	\$ 1,430,456	\$ 142,952,886
Total Liabilities	\$ 44,517,801	\$ 908,918	\$ 45,426,719
Total Net Assets	\$ 97,004,629	\$ 521,538	\$ 97,526,167
Statements of Activities			
Total Revenues, Gains and Other Support	\$ 8,891,048	\$ 5,767,186	\$ 14,658,234
Total Expenses	\$ 9,034,303	\$ 3,736,300	\$ 12,770,603
Total Changes in Net Assets	\$ (143,255)	\$ 2,030,886	\$ 1,887,631
Statements of Cash Flows			
Net increase (decrease) in cash and cash equivalents	\$ 1,373,769	\$ (314,227)	\$ 1,059,542

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation. The consolidated financial statements of the New Mexico State University Foundation, Inc. and operating affiliates and associates have been consolidated and all significant intercompany amounts and transactions have been eliminated. The operating affiliates and associates consist of the Foundation, Aggie Athletic Fund and NMSU Space Development Foundation. 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 include primarily 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.

Note 2 - Summary of Significant Accounting Policies (Continued)

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles 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. Marketable securities purchased are originally recorded at cost; marketable 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 Statements of Cash Flows. 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 financial statements. The Foundation's investments are carried at fair value. The estimated fair value of investments is based on quoted market prices, except for certain alternative investments for which quoted market prices are not available. The estimated fair value of these alternative investments is based on the most recent valuations provided by the external investment managers. The Foundation believes the carrying amount of these financial instruments is a reasonable estimate of the fair value. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed.

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. Based on management's estimates collectability, at June 30, 2008 and 2007, no amounts of uncollectable receivables have been established. No schedule of payments to be received is included in these financial statements as the timing of the payments is not determinable by year. Amounts not expected to be received within one year are included at their present value computed using the applicable IRS discount rates, which for June 30, 2008 and 2007 were 3.8% and 5.6%, respectively.

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 \$500. 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 Agreements. The Foundation holds several irrevocable charitable remainder trusts. These are reflected in the accompanying financial statements as split interest agreements. The charitable remainder trusts designate 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 rates, which for June 30, 2008

Note 2 - Summary of Significant Accounting Policies (Continued)

and 2007 were 3.8% and 5.6%, 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, notes receivable and two buildings 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 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, 2008.

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, the cash surrender value of life insurance policies, and other receivables. The works of art are recorded at their fair value as of June 30, 2008 and 2007. The reproductions of works of art are recorded at fair value on the date of donation.

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 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 rates, which for June 30, 2008 and 2007 were 3.8% and 5.6%, respectively.

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 restrictions. The Foundation reports gifts of land, property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. The aggregate annual amounts of such gifts are disclosed in the Statements of Cash Flows.

Change in Donor Restrictions. During the years ended June 30, 2008 and 2007, the Foundation was contacted by certain 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.

Reclassifications. Certain amounts from 2007 information have been reclassified to conform to 2008 presentation.

Note 3 - Short-Term Investments in Marketable Securities

The Foundation invests cash in excess of daily requirements in short-term marketable securities. In the accompanying financial statements, short-term investments in marketable securities represent the 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, 2008 and 2007.

Returns from short-term investments in marketable securities are included in unrestricted net assets in the accompanying statements of activities. The following table summarizes those returns for the years ended June 30, 2008 and 2007 (see Note 10):

	2008	2007 (as restated)
Dividends and interest	\$ 4,204	\$ 3,960
Unrealized (loss) gain, net	(78,598)	89,293
	<u>\$ (74,394)</u>	<u>\$ 93,253</u>

Note 4 - Property and Equipment

Depreciation expense for the fiscal years ended June 30, 2008 and 2007, was \$51,131 and \$121,675, respectively, and is included in administration expense on the accompanying statements of activities. Major classifications of property and equipment at June 30, 2008 and 2007 are summarized below:

	2008	2007 (as restated)
Computer equipment and software	\$ 159,037	\$ 141,656
Furniture and equipment	133,379	783,946
Automobiles	95,771	78,026
	<u>388,187</u>	<u>1,003,628</u>
Less: Accumulated depreciation	(220,735)	(506,685)
	<u>\$ 167,452</u>	<u>\$ 496,943</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 and gift annuity assets for investment. Under this agreement, the Foundation earned \$543,640 and \$450,018 in administration fees from the University during the fiscal years ended June 30, 2008 and 2007, respectively. Assets and liabilities for the amounts received by the Foundation under this agreement, as well as earnings and net appreciation from the investment of

Note 5 - Affiliated Entity (Continued)

those assets, are included in assets held in trust for New Mexico State University in the accompanying statements of financial position.

The University, in exchange for the Foundation's fund raising 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 \$186,411 and \$162,289 during the fiscal years ended June 30, 2008 and 2007, 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 financial statements. In addition, employees of the University perform all administrative services for the Foundation. A portion of the salaries for these employees (\$1,530,646 and \$1,218,900 for the years ended June 30, 2008 and 2007, respectively) was reimbursed to the University by the Foundation.

Amounts due to New Mexico State University in the accompanying statements of financial position includes 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-Securities

The aggregate carrying amounts of assets held for long-term investment in securities by major types at June 30, 2008 and 2007, are shown in the table below:

	2008	2007 (as restated)
Domestic corporate stocks and bonds	\$ 31,846,733	\$ 36,448,331
Foreign corporate stocks and bonds	16,306,041	17,138,779
Limited partnerships	16,623,563	14,310,068
Mortgage-backed securities	10,673,906	8,785,208
U.S. Government securities	4,026,252	4,657,629
	<u>\$ 79,476,495</u>	<u>\$ 81,340,015</u>

The following schedule summarizes the total return on long-term investments in securities held for endowment purposes and its classification in the accompanying statement of activities for the year ended June 30, 2008 (see Note 10):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends and interest	\$ 176,332	\$ 2,762,532	\$ -	\$ 2,938,864
Realized gains, net	1,390,722	502,661	-	1,893,383
Unrealized (losses), net	(503,881)	(5,765,279)	-	(6,269,160)
Investment expenses	(38,371)	(601,139)	-	(639,510)
	<u>\$ 1,024,802</u>	<u>\$ (3,101,225)</u>	<u>\$ -</u>	<u>\$ (2,076,423)</u>

Note 6 - Assets Held for Long-Term Investment- Securities (Continued)

The following schedule summarizes the total return on assets held for long-term investment in securities held for endowment purposes and its classification in the accompanying statement of activities for the year ended June 30, 2007 (see Note 10):

	<i>Unrestricted (as restated)</i>	<i>Temporarily Restricted (as restated)</i>	<i>Permanently Restricted (as restated)</i>	<i>Total (as restated)</i>
Dividends and interest	\$ 340,966	\$ 2,121,535	\$ -	\$ 2,462,501
Realized gains, net	1,355,867	4,216,821	-	5,572,688
Unrealized gains, net	313,838	1,952,743	-	2,266,581
Investment expenses	(95,730)	(595,645)	-	(691,375)
	<u>\$ 1,914,941</u>	<u>\$ 7,695,454</u>	<u>\$ -</u>	<u>\$ 9,610,395</u>

Note 7 - Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2008 and 2007 are available for the following purposes:

	<i>2008</i>	<i>2007 (as restated)</i>
Student aid	\$ 11,989,602	\$ 13,861,684
General use for departments or colleges	10,161,763	10,812,934
Faculty and staff compensation	3,454,602	3,913,270
Research	3,010,510	3,501,757
Buildings, grounds, equipment and facilities	348,533	347,854
Other	168,703	192,138
	<u>\$ 29,133,713</u>	<u>\$ 32,629,637</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, 2008 and 2007, by the purpose to which the use of income is restricted:

	2008	2007 (as restated)
Student aid	\$ 29,552,204	\$ 28,085,651
General use for departments or colleges	15,336,506	13,277,846
Faculty and staff compensation	15,234,662	13,222,196
Research	1,343,104	1,350,830
Buildings, grounds, equipment and facilities	410,899	1,060,914
Other	261,558	254,583
	<u>\$ 62,138,933</u>	<u>\$ 57,252,020</u>

Note 9 – Non-Cash Contributions Received

The Foundation did not receive non-cash contributions during the fiscal year ended June 30, 2008. During the fiscal year ended June 30, 2007, the Foundation received from private sources non-cash contributions valued at \$3,000 to be used in its operations and fund raising efforts. On the accompanying statements of activities, these amounts are included in private gifts when received and in the appropriate category of expenses (programs, fund raising and administration) when used. As of June 30, 2008 and 2007, donated materials valued at \$9,000 each year were included in other assets on the accompanying statement of financial position.

Note 10 - Net Investment Income (Loss)

The following table summarizes the components of net investment income (loss) for the year ended June 30, 2008:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest on cash and cash equivalents	\$ 384,015	\$ -	\$ -	\$ 384,015
Loss from sales of donated investments, net	-	(703)	-	(703)
Loss from short-term investments (Note 3)	(74,394)	-	-	(74,394)
Interest on cash and cash equivalents held for long-term investment	11,274	176,625	-	187,899
Income (loss) from securities held for long-term investment (Note 6)	1,024,802	(3,101,225)	-	(2,076,423)
Income from assets held in trust under split interest agreements	-	18,573	-	18,573
	<u>\$ 1,345,697</u>	<u>\$ (2,906,730)</u>	<u>\$ -</u>	<u>\$ (1,561,033)</u>

Note 10 - Net Investment Income (Loss) (Continued)

The following table summarizes the components of net investment income (loss) for the year ended June 30, 2007:

	<i>Unrestricted (as restated)</i>	<i>Temporarily Restricted (as restated)</i>	<i>Permanently Restricted (as restated)</i>	<i>Total (as restated)</i>
Interest on cash and cash equivalents	\$ 426,628	\$ -	\$ -	\$ 426,628
(Loss) gain from sales of donated investments, net	(3,104)	(1,958)	-	(5,062)
Income (loss) from short-term investments (Note 3)	93,275	(22)	-	93,253
Interest on cash and cash equivalents held for long-term investment	45,636	289,336	-	334,972
Income from securities held for long-term investment (Note 6)	1,914,941	7,695,454	-	9,610,395
Income from assets held in trust under split interest agreements	-	30,968	-	30,968
	<u>\$ 2,477,376</u>	<u>\$ 8,013,778</u>	<u>\$ -</u>	<u>\$10,491,154</u>

Note 11 - 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, 2008 and 2007, were as follows:

	<i>2008</i>	<i>2007 (as restated)</i>
Purpose restrictions accomplished:		
General use for departments or colleges	\$ 3,607,386	\$ 2,515,466
Student aid	2,126,785	1,875,471
Buildings, grounds, equipment and facilities	234,612	662,302
Faculty and staff compensation	386,043	308,099
Research	58,589	70,609
Other	3,562	14,374
	<u>\$ 6,416,977</u>	<u>\$ 5,446,321</u>

Note 12 - Expenses

Expenses of the Foundation reported by natural classification for the fiscal years ended June 30, 2008 and 2007 were as follows:

	2008	2007 <i>(as restated)</i>
Program expenses and grants	\$ 10,046,881	\$ 10,044,392
Salaries	1,530,646	1,218,900
Supplies and services	785,719	853,255
Professional fees	192,552	272,679
Travel	158,660	167,916
Depreciation	51,132	56,675
Utilities	5,013	3,195
	<u>\$ 12,770,603</u>	<u>\$ 12,617,012</u>

NMSU State University Foundation, Inc. and Subsidiaries
Notes to Financial Statements
For the Years ended June 30, 2008 and 2007

**Note 13 - Deposit Accounts and Investments
As of June 30, 2008**

<i>Account</i>	<i>Type of Account</i>	<i>Bank Balance</i>	<i>Reconciling Items</i>	<i>Book Balance</i>
Cash:				
Well Fargo Bank of New Mexico				
Operations	Checking	\$ 33,579	\$ (16,734)	\$ 16,845
Operations	Money Market	16,215	-	16,215
Program	ACH	30,022	-	30,022
Operations - Aggie Athletics Fund	Checking	100	-	100
Citizens Bank of Las Cruces				
Program	Checking	93,909	(66,133)	27,776
Program	Money Market	97,302	12,353	109,655
Merrill Lynch				
Operations	Checking	247,292	-	247,292
Operations	Money Market	72,243	-	72,243
Program	Checking	317,848	-	317,848
Program	Money Market	9,622,029	-	9,622,029
Merrill Lynch (Designated) cleared with interfund due to/from entries	Money Market	-	587,963	587,963
Investment Cash - Merrill Lynch				
Managers:				
Hedge Access	Money Market	1,781,107	-	1,781,107
Eagle (was Armstrong Shaw)	Money Market	782,185	-	782,185
McDonnell	Money Market	552,807	-	552,807
Tradewinds NWQ	Money Market	428,092	-	428,092
Earnest	Money Market	253,723	-	253,723
NWQ	Money Market	239,680	-	239,680
Insight	Money Market	189,970	-	189,970
Fred Alger (was Wasatch)	Money Market	174,950	-	174,950
Oppenheimer	Money Market	155,919	-	155,919
Venture Capital	Money Market	135,781	-	135,781
Alliance Bernstein	Money Market	112,990	-	112,990
Managed Futures	Money Market	104,518	-	104,518
Invesco REITS	Money Market	95,373	-	95,373
Aletheia (Large Cap Value)	Money Market	84,608	-	84,608
Chase	Money Market	50,869	-	50,869
Aletheia (Large Cap Growth)	Money Market	21,559	-	21,559
NMSU Business College	Money Market	3,878	-	3,878
Less Cash allocated to NMSU for Assets held in Trust	Money Market	(4,103,500)	-	(4,103,500)
Total Cash		\$ 11,595,048	\$ 517,449	\$ 12,112,497

NMSU State University Foundation, Inc. and Subsidiaries
Notes to Financial Statements
For the Years ended June 30, 2008 and 2007

Note 13 - Deposit Accounts and Investments (Continued)
As of June 30, 2008

Investments:				
Merrill Lynch				
U.S. Government and Agency Securities	Investment	\$ 4,026,252	\$ -	\$4,026,252
Corporate Stocks and Bonds	Investment	48,152,774	-	48,152,774
Mortgage-backed Securities	Investment	10,673,906	-	10,673,906
Limited Partnerships - Alternative Investments	Investment	16,623,563	-	16,623,563
Total Investments - Merrill Lynch		<u>79,476,495</u>	<u>-</u>	<u>79,476,495</u>
Other Investments				
Real Estate Holdings	Investment	1,231,997	-	1,231,997
Short-term Investments (Various Financial Institutions)	Investment	376,029	-	376,029
Accrued Investment Interest	Investment	124,319	-	124,319
Total Other Investments		<u>1,732,345</u>	<u>-</u>	<u>1,732,345</u>
Total Investments		<u>\$81,208,840</u>	<u>\$ -</u>	<u>\$ 81,208,840</u>

NMSU State University Foundation, Inc. and Subsidiaries
Notes to Financial Statements
For the Years ended June 30, 2008 and 2007

Note 13 - Deposit Accounts and Investments (Continued)
As of June 30, 2007

<i>Account</i>	<i>Type of Account (as restated)</i>	<i>Bank Balance (as restated)</i>	<i>Reconciling Items (as restated)</i>	<i>Book Balance (as restated)</i>
Cash:				
Wells Fargo Bank of New Mexico				
Operations	Checking	\$ 38,512	\$ (15,354)	\$ 23,158
Operations	Money Market	16,117		16,117
Program	ACH	10,322		10,322
Operations-Aggie Athletic Fund	Checking	314,327	-	314,327
Citizens Bank of Las Cruces				
Program	Checking	57,147	(8,713)	48,434
Program	Money Market	74,682	14,865	89,547
Merrill Lynch				
Operations	Checking	262,952	-	262,952
Operations	Money Market	244,337	-	244,337
Program	Checking	271,892	-	271,892
Program	Money Market	7,676,229	-	7,676,229
Reconciling year-end adjustment		-	29,474	29,474
Merrill Lynch (Designated) cleared with interfund due to /from	Money Market	-	(716,307)	(716,307)
Investment Cash				
Merrill Lynch				
Managers:				
Venture Capital	Money Market	1,006,748	-	1,006,748
Wasatch	Money Market	921,323	-	921,323
Tradewinds NWQ	Money Market	591,148	-	591,148
McDonnell	Money Market	316,258	-	316,258
Earnest	Money Market	285,672	-	285,672
Armstrong Shaw	Money Market	259,735	-	259,735
Hedge Access	Money Market	218,150	-	218,150
NWQ	Money Market	181,661	-	181,661
Invesco REITS	Money Market	146,171	-	146,171
Chase	Money Market	126,332	-	126,332
Aletheia	Money Market	81,089	-	81,089
Alliance Bernstein	Money Market	66,246	-	66,246
Managed Futures	Money Market	11,591	-	11,591
NMSU Business College	Money Market	3,878	-	3,878
Oppenheimer	Money Market	366	-	366
Less Cash allocated to NMSU for Assets Held in Trust	Money Market	(3,015,418)	-	(3,015,418)
Total Cash		\$ 10,167,467	\$ (696,035)	\$ 9,471,432

NMSU State University Foundation, Inc. and Subsidiaries
Notes to Financial Statements
For the Years ended June 30, 2008 and 2007

Note 13 - Deposit Accounts and Investments (Continued)
As of June 30, 2007

Investments:					
Merrill Lynch					
U.S. Government and Agency Securities	Investment	\$ 4,657,629	\$ -	\$ 4,657,629	
Corporate Stocks and Bonds	Investment	53,587,110	-	53,587,110	
Mortgage-backed Securities	Investment	8,785,208	-	8,785,208	
Limited Partnerships - Alternative Investments	Investment	14,310,068	-	14,310,068	
Total Investments - Merrill Lynch		<u>81,340,015</u>	<u>-</u>	<u>81,340,015</u>	
Other Investments					
Real Estate Holdings	Investment	1,562,899	-	1,562,899	
Short-term Investments (Various Financial Institutions)	Investment	450,423	-	450,423	
Note Receivable	Receivable	244,605	-	244,605	
Accrued Investment Interest	Investment	120,550	-	120,550	
Total Other Investments:		<u>2,378,477</u>	<u>-</u>	<u>2,378,477</u>	
Total Investments		<u>\$ 83,718,492</u>	<u>\$ -</u>	<u>\$ 83,718,492</u>	

Note 14. Subsequent Events

Subsequent to year end the investment markets experienced significant fluctuations. This may impact the value of investments reported in the statement of financial position in the subsequent fiscal year.

New Mexico State University Foundation, Inc. and its Subsidiaries
Schedule of Findings and Responses
For the Years ended June 30, 2008 and 2007

Current Year Audit Findings

None

Status of Prior Audit Findings

No prior year audit findings.

**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***

Board of Directors
New Mexico State University Foundation, Inc. and Subsidiaries and
Mr. Hector Balderas
New Mexico State Auditor

We have audited the consolidated financial statements of the New Mexico State University Foundation (Foundation), a component unit of New Mexico State University (University), as of and for the year ended June 30, 2008 and have issued our report thereon dated November 12, 2008. 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 Foundation'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 the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Foundation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Foundation's financial statements that is more than inconsequential will not be prevented or detected by the Foundation's internal control.

Board of Directors
New Mexico State University Foundation, Inc. and Subsidiaries and
Mr. Hector Balderas
New Mexico State Auditor

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Foundation's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of 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*.

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.

Moss Adams LLP

Albuquerque, New Mexico
November 12, 2008

New Mexico State University Foundation, Inc. and its Subsidiaries
Exit Conference
For the Year ended June 30, 2008

A closing conference was held on October 29, 2008, 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 its Subsidiaries

Dino Camunez	President
Terry Johnson	Secretary
Jake Hill	Member

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

Tina Byford Associate Vice President, University Advancement
Chief Financial Officer, New Mexico State University Foundation, Inc. and its Subsidiaries

Randy Frye Director of Gift Accounting, University Advancement
Controller, New Mexico State University Foundation, Inc. and its Subsidiaries

Representing Moss-Adams, LLP

Scott Eliason, Partner



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