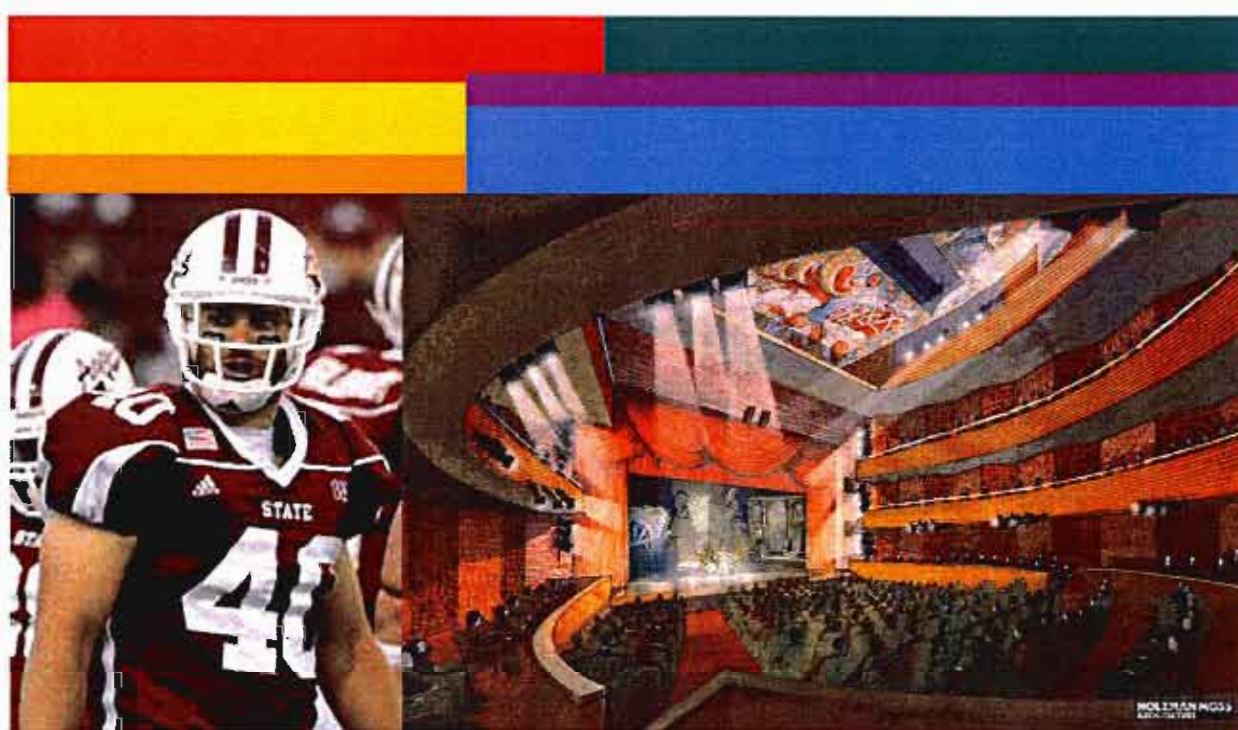


**New Mexico State University Foundation, Inc.
and Subsidiaries**

**Consolidated
Financial
Statements**

**For the Years Ended
June 30, 2009 and 2008**



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.

Mr. Jose Uranga **President**
Dr. Mike Johnson **Vice President**
Mr. Terry Johnson **Secretary**
Mr. John Papen, III **Treasurer**
Mr. Nick Franklin **Executive Director**
Mr. Herman Baca
Ms. Lee Ellen Banks
Mr. Dino Camunez
Mr. Thurman Case
Dr. Jack Cole
Mr. Jack Cooper
Ms. Martha Corder
Mr. John Cordova
Mrs. MaryLou Davis
Mr. Del Esparza
Mrs. Jari Grimm
Mr. Jake Hill
Mr. Pat Lamb
Mr. John Long

Mr. David Lopez
Dr. Patty Lopez
Mr. Larry Lujan
Mr. Tom Mobley, Jr.
Dr. Reynaldo Ortiz
Mrs. Libby Pruett
Mr. Paul Queen
Dr. Joan Raabe-Asprey
Dr. Bobby Rankin
Mr. Ben Salopek
Mr. Scott Smith
Mr. Dan Socolofsky
Mr. Lonnie Terry
Mr. Charles Tharp
Mr. Ralph Torres
Dr. Danny Villanueva
Mr. Jack Ward
Mr. Scott Williams
Mr. Browning Yelvington

NMSU Sports Enterprise, Inc.

Mr. John Papen **President**
Ms. Lee Ellen Banks **Vice President**
Mr. Gary Lenzo **Treasurer**
Mr. Henry Cook **Secretary**
Mr. John R. Christopher
Mr. John Cordova
Mr. Junior Vaquera

NMSU Space Development Foundation

Mr. Paul Arthur **President**
Mr. Jim Hayhoe **Vice President**
Ms. Judy McShannon **Secretary/Treasurer**
Mr. Nick Franklin
Dr. Patricia Hynes

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, 2009 and 2008, and the related consolidated statements of activities and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audits provide 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, 2009 and 2008, and the consolidated changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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 3, 2009 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 3, 2009

New Mexico State University Foundation, Inc. and Subsidiaries
Consolidated Statements of Financial Position
As of June 30, 2009 and 2008

	2009	2008
ASSETS		
Cash and cash equivalents	\$ 7,699,734	\$ 8,113,558
Short-term investments in marketable securities (Note 3)	224,247	376,029
Contributions receivable, net	7,080,564	6,081,296
Property and equipment, net (Note 4)	130,274	167,452
Assets held in trust under split interest agreements	595,616	637,726
Assets held in trust for New Mexico State University (Note 5)	32,061,249	40,148,844
Assets held for long-term investment:		
Cash and cash equivalents	5,229,150	3,998,939
Securities (Note 6)	64,614,223	79,476,495
Accrued interest income	130,878	124,319
Land and building	1,641,397	1,231,997
Other assets	<u>2,830,814</u>	<u>2,596,231</u>
Total assets	<u>\$ 122,238,146</u>	<u>\$ 142,952,886</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Split interest agreements payable	\$ 217,295	\$ 229,703
Gift annuities payable	2,217,676	1,826,830
Other liabilities	922,508	2,001,627
Due to New Mexico State University (Note 5)	1,505,233	1,219,715
Assets held in trust for New Mexico State University (Note 5)	<u>32,061,249</u>	<u>40,148,844</u>
Total liabilities	<u>36,923,961</u>	<u>45,426,719</u>
Net assets:		
Unrestricted	5,751,767	6,253,521
Temporarily restricted (Note 7)	16,736,067	29,133,713
Permanently restricted (Note 8)	<u>62,826,351</u>	<u>62,138,933</u>
Total net assets	<u>85,314,185</u>	<u>97,526,167</u>
Total liabilities and net assets	<u>\$ 122,238,146</u>	<u>\$ 142,952,886</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
For the Year Ended June 30, 2009

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
REVENUES, GAINS AND OTHER SUPPORT:				
Private gifts	\$ 439,614	\$ 6,435,253	\$ 2,158,137	\$ 9,033,004
Net investment income (loss) (Note 10)	1,949,790	(15,686,918)	-	(13,737,128)
Management fees paid by New Mexico State University (Note 5)	539,518	-	-	539,518
Change in donor restrictions	(893,817)	2,280,648	(1,386,831)	-
Promotion and other income	1,353,057	1,334,635	13,339	2,701,031
Change in value of split interest agreements and gift annuities payable	-	(42,233)	(97,227)	(139,460)
Net assets released from donor restrictions (Note 11)	<u>6,719,031</u>	<u>(6,719,031)</u>	<u>-</u>	<u>-</u>
Total revenues, gains (losses) and other support	<u>10,107,193</u>	<u>(12,397,646)</u>	<u>687,418</u>	<u>(1,603,035)</u>
EXPENSES (Note 12):				
Program	7,695,727	-	-	7,695,727
Fund raising	1,664,681	-	-	1,664,681
Administration	<u>1,248,539</u>	<u>-</u>	<u>-</u>	<u>1,248,539</u>
Total expenses	<u>10,608,947</u>	<u>-</u>	<u>-</u>	<u>10,608,947</u>
CHANGE IN NET ASSETS	(501,754)	(12,397,646)	687,418	(12,211,982)
NET ASSETS, beginning of year	<u>6,253,521</u>	<u>29,133,713</u>	<u>62,138,933</u>	<u>97,526,167</u>
NET ASSETS, end of year	<u>\$ 5,751,767</u>	<u>\$ 16,736,067</u>	<u>\$ 62,826,351</u>	<u>\$ 85,314,185</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
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)	<u>6,416,977</u>	<u>(6,416,977)</u>	<u>-</u>	<u>-</u>
Total revenues, gains (losses) 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	8,902,738	-	-	8,902,738
Fund raising	1,463,425	-	-	1,463,425
Administration	<u>2,404,440</u>	<u>-</u>	<u>-</u>	<u>2,404,440</u>
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	<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 the consolidated financial statements are an integral part of these statements.

New Mexico State University Foundation, Inc. and Subsidiaries
Consolidated Statements of Cash Flow
For the Years Ended June 30, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Change in net assets	\$ (12,211,982)	\$ 1,887,631
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Loss on marketable securities, net	16,868,419	3,641,837
Amortization of marketable securities, net of accretion	(27,193)	(66,334)
Gifts of marketable securities received	-	(441,202)
Depreciation	54,799	51,131
Loss on disposal of property and equipment	-	2,376
Unrealized (gain) loss on land and building held for long-term investment	(409,400)	330,902
Unrealized gain on other assets	(318,060)	(7,424)
Contributions held for long-term investment	(2,349,369)	(4,507,341)
Dividends and interest held for long-term investment	(392,537)	(654,898)
Actuarial loss on obligations under split interest agreements	(12,408)	(18,099)
Actuarial gain on gift annuities payable	390,846	214,656
Net changes in assets and liabilities:		
Contributions receivable	(999,268)	(76,219)
Assets held in trust under split interest agreements	2,351	(5,404)
Accrued interest held for long-term investment	(6,559)	1,648
Other assets	83,477	(876,009)
Other liabilities	(1,079,119)	(881,213)
Due from (to) New Mexico State University	285,518	(2,816)
Net cash flows used by operating activities	<u>(120,485)</u>	<u>(1,406,778)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(17,621)	(49,016)
Change in cash and cash equivalents held for long-term investment	(1,061,510)	(1,422,031)
Sales and maturities of marketable securities	47,927,493	64,084,048
Purchases of marketable securities	(49,714,906)	(65,394,033)
Principal payments received on notes receivable for long-term investment	-	244,605
Net cash flows used by investing activities	<u>(2,866,544)</u>	<u>(2,536,427)</u>
Cash flows from financing activities:		
Contributions held for long-term investment	2,349,369	4,507,341
Dividends and interest held for long-term investment	392,537	654,898
Payments of gift annuity obligations and principal payments made on notes payable and direct financing arrangement	<u>(168,701)</u>	<u>(159,492)</u>
Net cash flows provided by financing activities	2,573,205	5,002,747
Net (decrease) increase in cash and cash equivalents	(413,824)	1,059,542
Cash and cash equivalents, beginning of year	<u>8,113,558</u>	<u>7,054,016</u>
Cash and cash equivalents, end of year	<u>\$ 7,699,734</u>	<u>\$ 8,113,558</u>

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

New Mexico State University Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the Years ended June 30, 2009 and 2008

Note 1 - Organization and Activities

New Mexico State University 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.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation. The consolidated financial statement 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, NMSU Sports Enterprises (formerly known as 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.

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

New Mexico State University Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the Years ended June 30, 2009 and 2008

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 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 of collectability, at June 30, 2009 and 2008, 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 2009 and 2008 were 2.8% and 3.8%, 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,

New Mexico State University Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the Years ended June 30, 2009 and 2008

which for June 2009 and 2008 were 2.8% and 3.8%, 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 appraised value as of June 30, 2009 and 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 appraised value as of June 30, 2009 and 2008. 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 2009 and 2008 were 2.8% and 3.8%, 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

New Mexico State University Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the Years ended June 30, 2009 and 2008

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, 2009 and 2008, the Foundation was contacted by some of its donors who wished to restrict permanently previously 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. Effective July 1, 2008, the Foundation adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (FAS 157). FAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FAS 157 has been applied prospectively as of the beginning of the year.

FAS 157 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. FAS 157 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 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Reclassifications. Certain amounts from 2008 information have been reclassified to conform to 2009 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, 2009 and 2008.

New Mexico State University Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the Years ended June 30, 2009 and 2008

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, 2009 and 2008 (see Note 10):

	2009	2008
Dividends and interest	\$ 768	\$ 4,204
Unrealized (loss), net	<u>(152,523)</u>	<u>(78,598)</u>
	<u>\$ (151,755)</u>	<u>\$ (74,394)</u>

Note 4 - Property and Equipment

Depreciation expense for the fiscal years ended June 30, 2009 and 2008, was \$54,799 and \$51,131 respectively, and is included in administration expense on the accompanying statements of activities. Major classifications of property and equipment at June 30, 2009 and 2008 are summarized below:

	2009	2008
Computer equipment and software	\$ 161,385	\$ 159,037
Furniture and equipment	148,523	133,379
Automobiles	<u>95,771</u>	<u>95,771</u>
	405,679	388,187
Less: Accumulated depreciation	<u>(275,405)</u>	<u>(220,735)</u>
	<u>\$ 130,274</u>	<u>\$ 167,452</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 \$539,518 and \$543,640 in administration fees from the University during the fiscal years ended June 30, 2009 and 2008, 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 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 \$194,804 and \$186,411 during the fiscal years ended June 30, 2009 and 2008, respectively, for the estimated fair rental value of the premises, furniture, fixtures and equipment owned by

New Mexico State University Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the Years ended June 30, 2009 and 2008

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 (\$1,478,071 and \$1,530,646 for the years ended June 30, 2009 and 2008, 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, 2009 and 2008, are shown in the table below:

	2009	2008
Domestic corporate stocks and bonds	\$ 23,073,683	\$ 31,846,733
Foreign corporate stocks and bonds	14,299,366	16,306,041
Limited partnerships	12,298,835	16,623,563
Mortgage-backed securities	10,934,355	10,673,906
U.S. Government securities	<u>4,007,984</u>	<u>4,026,252</u>
	<u>\$ 64,614,223</u>	<u>\$ 79,476,495</u>

The following schedule summarizes the total return on long-term investments and its classification in the accompanying statement of activities for the year ended June 30, 2009 (see Note 10):

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Dividends and interest	\$ 154,574	\$ 1,611,525	\$ -	\$ 1,766,099
Realized gains (losses), net	1,660,218	(6,320,237)	-	(4,660,019)
Unrealized gain (losses), net	132,179	(10,616,154)	-	(10,483,975)
Investment expenses	<u>-</u>	<u>(420,048)</u>	<u>-</u>	<u>(420,048)</u>
	<u>\$ 1,946,971</u>	<u>\$ (15,744,914)</u>	<u>\$ -</u>	<u>\$(13,797,943)</u>

New Mexico State University Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the Years ended June 30, 2009 and 2008

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

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
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	<u>(38,371)</u>	<u>(601,139)</u>	-	<u>(639,510)</u>
	<u>\$ 1,024,802</u>	<u>\$ (3,101,225)</u>	<u>\$ -</u>	<u>\$ (2,076,423)</u>

Note 7 - Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2009 and 2008 are available for the following purposes:

	<i>2009</i>	<i>2008</i>
Student aid	\$ 6,222,727	\$ 11,989,602
General use for departments or colleges	6,595,426	10,161,763
Faculty and staff compensation	2,030,224	3,454,602
Research	1,340,304	3,010,510
Buildings, grounds, equipment and facilities	388,882	348,533
Other	<u>158,504</u>	<u>168,703</u>
	<u>\$ 16,736,067</u>	<u>\$ 29,133,713</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, 2009 and 2008, by the purpose to which the use of income is restricted:

	<i>2009</i>	<i>2008</i>
Student aid	\$ 29,982,777	\$ 29,552,204
General use for departments or colleges	15,669,789	15,336,506
Faculty and staff compensation	15,127,440	15,234,662
Research	1,318,153	1,343,104
Buildings, grounds, equipment and facilities	465,962	410,899
Other	<u>262,230</u>	<u>261,558</u>
	<u>\$ 62,826,351</u>	<u>\$ 62,138,933</u>

New Mexico State University Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the Years ended June 30, 2009 and 2008

Note 9 – Non-Cash Contributions Received

The Foundation did not receive non-cash contributions during the fiscal years ended June 30, 2009 and June 30, 2008. On the accompanying statements of activities, 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, 2009 and 2008, precisely 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, 2009:

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Interest on cash and cash equivalents	\$ 154,574	\$ -	\$ -	\$ 154,574
Loss from short-term investments (Note 3)	(151,755)	-	-	(151,755)
Interest on cash and cash equivalents held for long-term investment	-	57,996	-	57,996
Income (loss) from marketable securities held for long-term investment (Note 6)	<u>1,946,971</u>	<u>(15,744,914)</u>	<u>-</u>	<u>(13,797,943)</u>
	<u>\$ 1,949,790</u>	<u>\$ (15,686,918)</u>	<u>\$ -</u>	<u>\$ (13,737,128)</u>

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

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
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 marketable 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	<u>-</u>	<u>18,573</u>	<u>-</u>	<u>18,573</u>
	<u>\$ 1,345,697</u>	<u>\$ (2,906,730)</u>	<u>\$ -</u>	<u>\$ (1,561,033)</u>

New Mexico State University Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the Years ended June 30, 2009 and 2008

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, 2009 and 2008, were as follows:

	2009	2008
Purpose restrictions accomplished:		
General use for departments or colleges	\$ 4,144,254	\$ 3,607,386
Student aid	1,852,198	2,126,785
Buildings, grounds, equipment and facilities	205,292	234,612
Faculty and staff compensation	457,946	386,043
Research	48,695	58,589
Other	<u>10,646</u>	<u>3,562</u>
	<u>\$ 6,719,031</u>	<u>\$ 6,416,977</u>

Note 12 – Expenses

Expenses of the Foundation reported by natural classification for the fiscal years ended June 30, 2009 and 2008 were as follows:

	2009	2008
Program expenses and grants	\$ 7,695,727	\$ 8,902,738
Salaries	1,478,071	1,530,646
Supplies and services	1,080,075	1,972,724
Professional fees	175,358	192,552
Travel	122,246	115,799
Depreciation	54,799	51,131
Utilities	<u>2,671</u>	<u>5,013</u>
	<u>\$ 10,608,947</u>	<u>\$ 12,770,603</u>

New Mexico State University Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the Years ended June 30, 2009 and 2008

Note 13 - Deposit Accounts and Investments as of June 30, 2009

<i>Account</i>	<i>Type of Account</i>	<i>Bank Balance</i>	<i>Reconciling Items</i>	<i>Book Balance</i>
Cash - Wells Fargo Bank of New Mexico:				
Operations	Checking	\$ 225,219	\$ (1,366)	\$ 223,853
Operations	Money Market	16,377	-	16,377
Program	ACH	50,275	-	50,275
Operations – NMSU Sports Enterprises	Checking	131,611	-	131,611
Citizens Bank of Las Cruces:				
Program	Checking	512,006	(26,102)	485,904
Program	Money Market	74,040	9,341	83,381
Merrill Lynch:				
Operations	Checking	3	-	3
Operations	Money Market	24,954	-	24,954
Program	Checking	760,003	-	760,003
Program	Money Market	6,886,797	132,543	7,019,340
Merrill Lynch (Designated) cleared with interfund due to/from entries	Money Market		(1,095,967)	(1,095,967)
Investment Cash - Merrill Lynch:				
Managers:				
Hedge Access	Money Market	4,820,446	-	4,820,446
Eagle	Money Market	235,618	-	235,618
McDonnell	Money Market	70,332	-	70,332
Tradewinds NWQ	Money Market	300,782	-	300,782
Earnest	Money Market	192,841	-	192,841
NWQ	Money Market	103,725	-	103,725
Insight	Money Market	81,871	-	81,871
Fred Alger	Money Market	145,016	-	145,016
Oppenheimer	Money Market	8,319	-	8,319
Venture Capital	Money Market	293,802	-	293,802
Alliance Bernstein	Money Market	271,343	-	271,343
Managed Futures	Money Market	86,065	-	86,065
Invesco REITS	Money Market	195,601	-	195,601
Aletheia (Large Cap Value)	Money Market	210,557	-	210,557
Short Term Investment Fund	Money Market	1,102,307	-	1,102,307
Chase	Money Market	37,942	-	37,942
Aletheia (Large Cap Growth)	Money Market	125,551	-	125,551
NMSU Business College	Money Market	2,510	-	2,510
Less Cash allocated to NMSU for Assets held in Trust	Money Market	<u>(3,055,478)</u>	<u>-</u>	<u>(3,055,478)</u>
Total Cash		\$ 13,910,435	\$ (981,551)	\$ 12,928,884
Investments - Merrill Lynch:				
U.S. Government and Agency Securities	Investment	\$ 4,007,984	\$ -	\$ 4,007,984
Corporate Stocks and Bonds	Investment	37,373,049	-	37,373,049
Mortgage-backed Securities	Investment	10,934,355	-	10,934,355
Limited Partnerships - Alternative Investments	Investment	<u>12,298,835</u>	<u>-</u>	<u>12,298,835</u>
Total Investments - Merrill Lynch		64,614,223	-	64,614,223
Real Estate Holdings	Investment	1,641,397	-	1,641,397
Short-term Investments (Various Financial Institutions)	Investment	224,247	-	224,247
Accrued Investment Interest	Investment	<u>130,878</u>	<u>-</u>	<u>130,878</u>
Total Other Investments		1,996,522	-	1,996,522
Total Investments		\$ 66,610,745	\$ -	\$ 66,610,745

New Mexico State University Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the Years ended June 30, 2009 and 2008

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 - Wells 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-NMSU Sports Enterprises	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	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	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	<u>(4,103,500)</u>	-	<u>(4,103,500)</u>
Total Cash		<u>\$ 11,595,048</u>	<u>\$ 517,449</u>	<u>\$ 12,112,497</u>
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	<u>16,623,563</u>	-	<u>16,623,563</u>
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	<u>124,319</u>	-	<u>124,319</u>
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>

New Mexico State University Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the Years ended June 30, 2009 and 2008

Note 14 - Fair Value of Assets and Liabilities

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying Statement of Financial Position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Assets

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 These investments include partnerships and hedge funds whose values are determined based on financial data provided by the individual funds and partnerships. Investments classified within Level 3 have significant unobservable inputs as they trade infrequently or not at all.

In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy.

The following table presents the fair value measurements of assets recognized in the accompanying Statement of Financial Position measured at fair value on a recurring basis and the level within the FAS 157 fair value hierarchy in which the fair value measurements fall at June 30, 2009:

	Quoted Prices in Active Markets For Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Balance As of June 30, 2009
Assets				
Equities	\$ 18,415,797	\$ -	\$ -	\$ 18,415,797
U.S. Government Securities	4,007,984	-	-	4,007,984
Foreign corporate stocks and bonds	14,299,366	-	-	14,299,366
Corporate Debt Securities	-	4,657,886	-	4,657,886
Mortgage-backed Securities	-	10,934,355	-	10,934,355
Limited Partnerships	-	-	12,298,835	12,298,835
Total Assets for Fair Market Value	<u>\$ 36,723,147</u>	<u>\$ 15,592,241</u>	<u>\$ 12,298,835</u>	<u>\$ 64,614,223</u>

New Mexico State University Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the Years ended June 30, 2009 and 2008

Realized and unrealized gains and losses are included in the Net Investment Income (loss) on the Consolidated Statement of Activities. For 2009, a net loss of \$13,737,128 was recorded and for 2008, a net loss of \$1,561,033 was recorded.

The Foundation's interest in limited partnerships represents 19% of the total investments held by the Foundation at June 30, 2009. 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 statement of financial position using significant unobservable (Level 3) inputs:

	Limited Partnerships
Balance, July 1, 2008	\$16,623,563
Total Realized and Unrealized Losses Included in within the Statement of Activities	(7,004,147)
Purchases and sales, net	<u>2,679,419</u>
Balance, June 30, 2009	<u>\$12,298,835</u>

Note 15 - Endowment

New Mexico State University Foundation's endowment consists of approximately 1,200 individual funds established for a variety of purposes. 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 endowments funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

New Mexico State University Foundation 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.

New Mexico State University Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the Years ended June 30, 2009 and 2008

2009

**Endowment Net Asset Composition by Type of Fund
As of June 30, 2009**

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Donor-restricted endowment funds	\$ -	\$ 2,740,366	\$ 62,826,351	\$ 65,566,717
Board-designated endowment funds	<u>5,301,334</u>	<u>-</u>	<u>-</u>	<u>5,301,334</u>
Total funds	<u>\$ 5,301,334</u>	<u>\$ 2,740,366</u>	<u>\$ 62,826,351</u>	<u>\$ 70,868,051</u>

**Changes in Endowment Net Assets
For the Fiscal Year Ended June 30, 2009**

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Endowment net assets, beginning of year	<u>\$ 9,086,138</u>	<u>\$ 14,042,192</u>	<u>\$ 62,138,933</u>	<u>\$ 85,267,263</u>
Investment Return:				
Investment income	-	1,611,525	-	1,611,525
Net depreciation (realized and unrealized)	<u>-</u>	<u>(17,422,223)</u>	<u>-</u>	<u>(17,422,233)</u>
Total investment return	<u>-</u>	<u>(15,810,698)</u>	<u>-</u>	<u>(15,810,698)</u>
Contributions, Reversions and Changes in Donor Restrictions	(3,784,804)	9,192,226	687,418	6,094,840
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(4,683,354)</u>	<u>-</u>	<u>(4,683,354)</u>
Endowment Net Assets, end of year	<u>\$ 5,301,334</u>	<u>\$ 2,740,366</u>	<u>\$ 62,826,351</u>	<u>\$ 70,868,051</u>

New Mexico State University Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the Years ended June 30, 2009 and 2008

2008

**Endowment Net Asset Composition by Type of Fund
As of June 30, 2008**

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Donor-restricted endowment funds	\$ -	\$ 14,042,192	\$ 62,138,933	\$ 76,181,125
Board-designated endowment funds	<u>9,086,138</u>	<u>-</u>	<u>-</u>	<u>9,086,138</u>
Total funds	<u>\$ 9,086,138</u>	<u>\$ 14,042,192</u>	<u>\$ 62,138,933</u>	<u>\$ 85,267,263</u>

**Changes in Endowment Net Assets
For the Fiscal Year Ended June 30, 2008**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	<u>\$ 10,362,492</u>	<u>\$ 19,149,842</u>	<u>\$ 57,252,020</u>	<u>\$ 86,764,354</u>
Investment Return:				
Investment income	176,332	2,762,532	-	2,938,864
Net Appreciation (realized and unrealized)	<u>(414,842)</u>	<u>(5,127,571)</u>	<u>-</u>	<u>(5,542,413)</u>
Total investment return	<u>(238,510)</u>	<u>(2,365,039)</u>	<u>-</u>	<u>(2,603,549)</u>
Contributions, Reversions and Changes in Donor Restrictions	(1,037,844)	1,784,394	4,886,913	5,633,463
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(4,527,005)</u>	<u>-</u>	<u>(4,527,005)</u>
Endowment Net Assets, end of year	<u>\$ 9,086,138</u>	<u>\$ 14,042,192</u>	<u>\$ 62,138,933</u>	<u>\$ 85,267,263</u>

New Mexico State University Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the Years ended June 30, 2009 and 2008

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 6.5% plus the rate of the Consumer Price Index. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, 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 as of March 31 of the prior year. This amount is then distributed throughout the next year. The distribution of the annual calculation is based on the unitized system ownership of each fund.

Note 17 - Subsequent Events

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

Effective July 1, 2009, the Foundation is governed by the Uniform Prudent Management Investment Act. The Foundation's application of this act will not substantially affect the organization's operations.

Subsequent to year end, the investment markets continued to experience significant fluctuations, however from year end to the reporting date, the market has begun to recover. It is expected that this volatility will continue to impact the value of investments reported in the Statement of Financial Position in the subsequent fiscal year.

**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, 2009 and have issued our report thereon dated November 3, 2009. 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.

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.

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

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 3, 2009

**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, 2009 and 2008**

Status 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, 2009 and 2008

An Exit Conference was held at the Foundation on October 22, 2009, 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:

Dino Camunez	Chair, Audit Committee; Member, Board of Directors
Terry Johnson	Vice-Chair, Audit Committee; Secretary, Board of Directors
Dan Socolofsky	Member, Audit Committee, Member, Board of Directors

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

Tina Byford	Associate Vice President, University Advancement Chief Financial Officer, New Mexico State University Foundation, Inc. and Subsidiaries
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Randy Frye	Director of Gift Accounting, University Advancement Controller, New Mexico State University Foundation, Inc. and Subsidiaries
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Representing Moss-Adams, LLP:

Scott Eliason, Partner

FINANCIAL STATEMENT PREPARATION

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