

**New Mexico State University Foundation, Inc. & Subsidiaries**  
**Consolidated Financial Statements**  
**For the Years Ended June 30, 2011 & 2010**



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

## **Financial Statements**

**For the Years Ended  
June 30, 2011 and 2010**



*Together with Report of Independent Auditors*

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# New Mexico State University Foundation, Inc. and Subsidiaries

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# New Mexico State University Foundation, Inc. and Subsidiaries

## Official Roster

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### NMSU Foundation, Inc.

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#### Executive Officers

**Dr. Mike Johnson**  
*Chairman*

**Ms. Lee Ellen Banks**  
*Treasurer*

**Dr. Jo Raabe-Asprey**  
*Vice Chairman*

#### Executive Officers

**Mrs. MaryLou Davis**  
*Secretary*

**Dr. Dennis Prescott**  
*President*

#### Members

Mr. Herman Baca  
Mr. Dino Camunez  
Mr. Brian Charlton  
Mr. Timothy Cooper  
Mr. Jack Cooper  
Mr. John Cordova  
Mrs. Jackie Mitchell Edwards  
Mr. Del Esparza  
Mr. Nick Franklin  
Mr. Jake Hill  
Mr. Terry Johnson  
Mr. Pat Lamb

Mr. John Long  
Dr. Patty Lopez  
Mrs. Tana Lucy  
Mr. E. Larry Lujan, Jr.  
Mr. Tom Mobley, Jr.  
Dr. Reynaldo Ortiz  
Dr. John Papen, III  
Ms. Brenda Porter  
Mrs. Libby Pruett  
Mr. Paul Queen  
Dr. Bobby Rankin  
Mrs. Sandra Ricci

Mr. Ben Salopek  
Mr. Scott Smith  
Mr. Dan Socolofsky  
Mr. Lonnie Terry  
Mr. Charles Tharp  
Mrs. Maya Theus  
Dr. Smoky Torgerson  
Mr. Ralph Torres  
Mr. Jose Uranga  
Dr. Danny Villanueva  
Mr. Scott Williams  
Mr. Browning Yelvington  
Mrs. Sandy Zane

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### NMSU Sports Enterprise, Inc.

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#### Executive Officers

**Dr. John Papen, III**  
*President*

**Mr. Gary Lenzo**  
*Treasurer*

**Mr. Henry Cook**  
*Vice President*

**Ms. Brenda Porter**  
*Secretary*

**Mr. Steve Macy**  
*Executive Director*

#### Members

Kit Johnson

John Cordova

Nick Franklin

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### NMSU Space Development, Inc.

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#### Executive Officers

**Adm. Paul Arthur**  
*President*

**Mr. Jim Hayhoe**  
*Vice President*

#### Executive Officers

**Ms. Judy McShannon**  
*Secretary/Treasurer*

#### Members

Mr. Nick Franklin

Dr. Patricia Hynes



## REPORT OF INDEPENDENT AUDITORS

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 statements of financial position of New Mexico State University Foundation, Inc. and Subsidiaries (the "Foundation") (a component unit of New Mexico State University) as of June 30, 2011 and 2010, 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 opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

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

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, 2011 and 2010, and the consolidated changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2011 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.

*Mess Adams LLP*

Albuquerque, New Mexico  
October 25, 2011

**New Mexico State University Foundation, Inc. and Subsidiaries**  
**Consolidated Statements of Financial Position**  
**As of June 30, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,240,401	\$ 850,530
Short-term investments (Note 3)	6,130,644	8,071,482
Contributions receivable, net	4,974,166	6,651,289
Property and equipment, net (Note 4)	184,175	121,284
Assets held in trust under split interest agreements	623,467	600,907
Assets held in trust for New Mexico State University (Note 5)	39,685,438	35,878,473
Assets held for long-term investment:		
Cash and cash equivalents	3,615,514	3,660,414
Securities (Note 6)	92,599,514	74,157,557
Accrued interest income	100,736	100,106
Land and building	843,131	1,295,758
Other assets	1,193,426	923,161
<b>Total assets</b>	<b><u>\$ 153,190,612</u></b>	<b><u>\$ 132,310,961</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Split interest agreements payable	\$ 220,114	\$ 213,430
Gift annuities payable	2,648,838	2,403,488
Other liabilities	1,066,998	929,541
Due to New Mexico State University (Note 5)	1,992,843	1,230,856
Assets held in trust for New Mexico State University (Note 5)	39,685,438	35,878,473
<b>Total liabilities</b>	<b><u>45,614,231</u></b>	<b><u>40,655,788</u></b>
<b>Net assets:</b>		
Unrestricted	4,270,916	5,720,045
Temporarily restricted (Note 7)	37,748,707	20,261,283
Permanently restricted (Note 8)	65,556,758	65,673,845
<b>Total net assets</b>	<b><u>107,576,381</u></b>	<b><u>91,655,173</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 153,190,612</u></b>	<b><u>\$ 132,310,961</u></b>

**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, 2011**

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
<b>REVENUES, GAINS AND OTHER SUPPORT:</b>				
Private gifts	\$ 264,130	\$ 5,255,812	\$ 4,145,359	\$ 9,665,301
Net investment income (Note 10)	1,796,465	15,809,082	-	17,605,547
Management fees paid by New Mexico State University (Note 5)	532,401	-	-	532,401
Change in donor restrictions	(476,385)	4,845,769	(4,369,384)	-
Promotion and other income	1,393,442	1,123,878	2,114	2,519,434
Change in value of split interest agreements and gift annuities payable	-	(235,028)	104,824	(130,204)
<b>NET ASSETS RELEASED FROM RESTRICTION AND OTHER TRANSFERS:</b>				
Net assets released from donor restrictions (Note 11)	10,211,031	(10,211,031)	-	-
Other transfers (Note 15)	(898,942)	898,942	-	-
<b>Total revenues, gains and other support</b>	<u>12,822,142</u>	<u>17,487,424</u>	<u>(117,087)</u>	<u>30,192,479</u>
<b>EXPENSES (Note 12):</b>				
Program	10,977,713	-	-	10,977,713
Fund raising	1,926,382	-	-	1,926,382
Administration	1,367,176	-	-	1,367,176
<b>Total expenses</b>	<u>14,271,271</u>	<u>-</u>	<u>-</u>	<u>14,271,271</u>
<b>CHANGE IN NET ASSETS</b>	<u>(1,449,129)</u>	<u>17,487,424</u>	<u>(117,087)</u>	<u>15,921,208</u>
<b>NET ASSETS, beginning of year</b>	<u>5,720,045</u>	<u>20,261,283</u>	<u>65,673,845</u>	<u>91,655,173</u>
<b>NET ASSETS, end of year</b>	<u>\$ 4,270,916</u>	<u>\$ 37,748,707</u>	<u>\$ 65,556,758</u>	<u>\$ 107,576,381</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, 2010**

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
<b>REVENUES, GAINS AND OTHER SUPPORT:</b>				
Private gifts	\$ 251,599	\$ 4,970,406	\$ 2,150,397	\$ 7,372,402
Net investment income (Note 10)	1,782,687	6,520,149	-	8,302,836
Management fees paid by New Mexico State University (Note 5)	531,064	-	-	531,064
Change in donor restrictions	(73,584)	(834,967)	908,551	-
Promotion and other income	1,359,285	1,402,845	19,511	2,781,641
Change in value of split interest agreements and gift annuities payable	-	(22,575)	(230,965)	(253,540)
Net assets released from donor restrictions (Note 11)	<u>8,510,642</u>	<u>(8,510,642)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>12,361,693</u>	<u>3,525,216</u>	<u>2,847,494</u>	<u>18,734,403</u>
<b>EXPENSES (Note 12):</b>				
Program	9,516,051	-	-	9,516,051
Fund raising	1,642,873	-	-	1,642,873
Administration	<u>1,234,491</u>	<u>-</u>	<u>-</u>	<u>1,234,491</u>
Total expenses	<u>12,393,415</u>	<u>-</u>	<u>-</u>	<u>12,393,415</u>
CHANGE IN NET ASSETS	(31,722)	3,525,216	2,847,494	6,340,988
NET ASSETS, beginning of year	<u>5,751,767</u>	<u>16,736,067</u>	<u>62,826,351</u>	<u>85,314,185</u>
NET ASSETS, end of year	<u>\$ 5,720,045</u>	<u>\$ 20,261,283</u>	<u>\$ 65,673,845</u>	<u>\$ 91,655,173</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, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
Cash flows from operating activities:		
Change in net assets	\$ 15,921,208	\$ 6,340,988
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Gain on marketable securities, net	(16,142,971)	(7,854,702)
Amortization of marketable securities, net of accretion	(76,392)	(20,339)
Depreciation	49,980	49,458
Loss (Gain) on sale of land	12,056	(303,754)
Unrealized loss on land and building held for long-term investment	174,097	3,393
Contributions held for long-term investment	(4,145,870)	(1,938,962)
Dividends and interest held for long-term investment	(1,962,254)	(179,945)
Actuarial loss (gain) on obligations under split interest agreements	6,684	(3,865)
Actuarial loss on gift annuities payable	245,350	185,812
Net changes in assets and liabilities:		
Contributions receivable	1,677,123	429,275
Assets held in trust under split interest agreements	5,174	(5,291)
Accrued interest held for long-term investment	(630)	30,772
Other assets	(270,267)	1,907,653
Other liabilities	137,457	7,033
Due from (to) from New Mexico State University	<u>761,987</u>	<u>(274,377)</u>
Net cash flows used by operating activities	<u>(3,607,268)</u>	<u>(1,626,851)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(112,871)	(40,468)
Change in cash and cash equivalents held for long-term investment	238,556	1,750,717
Sales, maturities and principal payments received of marketable securities	49,709,526	53,155,576
Purchases of marketable securities	(50,019,015)	(62,671,104)
Proceeds from sale of land	<u>266,475</u>	<u>646,000</u>
Net cash flows provided (used) by investing activities	<u>82,671</u>	<u>(7,159,279)</u>
Cash flows from financing activities:		
Contributions held for long-term investment	4,145,870	1,938,962
Dividends and interest held for long-term investment	1,962,254	179,945
Payments of gift annuity obligations	<u>(193,656)</u>	<u>(181,981)</u>
Net cash flows provided by financing activities	<u>5,914,468</u>	<u>1,936,926</u>
Net increase (decrease) in cash and cash equivalents	2,389,871	(6,849,204)
Cash and cash equivalents, beginning of year	<u>850,530</u>	<u>7,699,734</u>
Cash and cash equivalents, end of year	<u>\$ 3,240,401</u>	<u>\$ 850,530</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, 2011 and 2010

#### 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 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, NMSU Sports Enterprises, Inc. 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 (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents.** Cash and cash equivalents include cash and short-term investments with original maturities to the Foundation of three months or less. The Foundation does not require that excess cash be collateralized by securities. These assets are not restricted for long-term investment as endowments.

**Investments.** Securities purchased are originally recorded at cost; securities received by gift are recorded at estimated fair value at the date of donation. The aggregate annual amounts of these gifts are disclosed in the Consolidated Statements of Cash 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.

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

## Notes to Consolidated Financial Statements

For the Years ended June 30, 2011 and 2010

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. Contributions expected to be collected in future years are reported at an amount determined using the discounted present value of future contributions, including an allowance for uncollectible contributions estimated by management. The applicable IRS discount rates for June 2011 and 2010 were 2.8% and 3.2%, respectively. Contributions receivable determined uncollectible during the fiscal year are written off when considered uncollectible. A total of \$2,051,010 was written off during 2011. No amounts were written off during 2010. Contributions receivable for the fiscal years ended June 30, 2011 and 2010 were as follows:

	<b>2011</b>	<b>2010</b>
Within one year	\$ 600,170	\$ 157,741
From one to five years	1,544,519	4,029,673
More than five years	2,969,669	2,756,963
	<u>5,114,358</u>	<u>6,944,377</u>
Reserve	(90,483)	(200,005)
Present Value Discount	(49,709)	(93,083)
Total Net Contributions Receivable	<u>\$ 4,974,166</u>	<u>\$ 6,651,289</u>

**Property and Equipment.** Property and equipment is stated at cost. Additions and major improvements are capitalized in the appropriate asset accounts and the capitalization threshold is \$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 2011 and 2010 were 2.8% and 3.2%, 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.

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

### Notes to Consolidated Financial Statements

For the Years ended June 30, 2011 and 2010

**Assets Held for Long-Term Investment.** The Foundation manages a pool of assets invested to produce income to support programs of the University. These assets consist of cash and cash equivalents, marketable securities and related amounts of interest income receivable and a building held for investment. A portion of these assets belongs to the University; these are held in trust and managed by the Foundation (see Note 5). The Foundation owns the remainder, including endowments and gift annuities. In the accompanying 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, 2011 and 2010.

**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 fair value as of June 30, 2011 and 2010. 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 2011 and 2010 were 2.8% and 3.2%, 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 donor 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.

**Change in Donor Restrictions.** During the years ended June 30, 2011 and 2010, the Foundation was contacted by some of its donors who wished to restrict permanently previous temporarily restricted donations or to release assets from previously imposed restrictions. In response to the requests, the Foundation transferred the requested amounts to the appropriate net asset class.

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

### Notes to Consolidated Financial Statements

For the Years ended June 30, 2011 and 2010

**Fair Value of Assets and Liabilities.** Effective July 1, 2008, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 820 (ASC 820), *Fair Value Measurements*. ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

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

These are:

- 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 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 reclassifications have been made to the 2010 Financial Statements to conform to the classifications used in 2011.

### Note 3 - Short-Term Investments

The Foundation invests cash in excess of daily requirements in certificates of deposit and short-term marketable securities. In the accompanying Consolidated Financial Statements, short-term investments in marketable securities also represent a portion of these investments that do not qualify as cash equivalents. Short-term investments in marketable securities consisted entirely of domestic corporate stocks and bonds at June 30, 2011 and 2010.

Returns from certificates of deposit and short-term investments in marketable securities are included in unrestricted net assets in the accompanying Consolidated Statements of Activities. The following table summarizes the short-term investments and related activity for the years ended June 30, 2011 and 2010.

	<b>2011</b>	<b>2010</b>
Certificates of deposit	\$ 5,817,495	\$ 7,800,000
Marketable securities	313,149	271,482
	<u>\$ 6,130,644</u>	<u>\$ 8,071,482</u>

  

	<b>2011</b>	<b>2010</b>
Unrealized gain, net	\$ 35,084	\$ 46,531
Dividends and interest	31,384	703
	<u>\$ 66,468</u>	<u>\$ 47,234</u>



## New Mexico State University Foundation, inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the Years ended June 30, 2011 and 2010

### Note 4 - Property and Equipment

Depreciation expense for the fiscal years ended June 30, 2011 and 2010, was \$49,980 and \$49,458 respectively, and is included in administration expense on the accompanying Consolidated Statements of Activities. Major classifications

	<b>2011</b>	<b>2010</b>
Computer equipment and software	\$ 235,207	\$ 173,503
Furniture and equipment	149,180	148,523
Automobiles	102,458	91,016
	<u>486,845</u>	<u>413,042</u>
Less: Accumulated depreciation	<u>(302,670)</u>	<u>(291,758)</u>
	<u>\$ 184,175</u>	<u>\$ 121,284</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 \$532,401 and \$531,064 in administration fees from the University during the fiscal years ended June 30, 2011 and 2010, 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 Consolidated Statements of Financial Position. Assets held in trust for New Mexico State University totaled \$39,685,438 and \$35,878,473 at June 30, 2011 and 2010, respectively.

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 \$203,749 and \$207,303 during the fiscal years ended June 30, 2011 and 2010, 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 (\$1,647,722 and \$1,520,263 for the years ended June 30, 2011 and 2010, 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.

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

Notes to Consolidated Financial Statements

For the Years ended June 30, 2011 and 2010

**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, 2011 and 2010, are shown in the table below:

	<b>2011</b>	<b>2010</b>
Domestic corporate stocks and bonds	\$ 46,601,561	\$ 31,393,769
Alternative investments	17,810,748	16,021,862
Foreign corporate stocks and bonds	13,762,740	9,916,006
U.S. Government securities	9,554,719	2,620,538
Mortgage-backed securities	4,869,746	14,205,382
	<u>\$ 92,599,514</u>	<u>\$ 74,157,557</u>

The following schedule summarizes the total return on long-term investments and its classification in the accompanying Consolidated Statement of Activities for the year ended June 30, 2011 (see Note 10):

<b>2011</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Dividends and interest	\$ -	\$ 1,876,572	\$ -	\$ 1,876,572
Realized gains, net	1,729,997	1,826,437	-	3,556,434
Unrealized gains, net	-	12,609,357	-	12,609,357
Investment expenses	-	(556,340)	-	(556,340)
	<u>\$ 1,729,997</u>	<u>\$ 15,756,026</u>	<u>\$ -</u>	<u>\$ 17,486,023</u>

The following schedule summarizes the total return on assets held for long-term investment and its classification in the accompanying Consolidated Statement of Activities for the year ended June 30, 2010 (see Note 10):

<b>2010</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Dividends and interest	\$ -	\$ 1,994,244	\$ -	\$ 1,994,244
Realized gains, net	1,685,985	499,190	-	2,185,175
Unrealized gains, net	-	4,480,152	-	4,480,152
Investment expenses	-	(474,106)	-	(474,106)
	<u>\$ 1,685,985</u>	<u>\$ 6,499,480</u>	<u>\$ -</u>	<u>\$ 8,185,465</u>

**Note 7 - Temporarily Restricted Net Assets**

Temporarily restricted net assets at June 30, 2011 and 2010 are available for the following purposes:

	<b>2011</b>	<b>2010</b>
Student aid	\$ 16,503,125	\$ 8,253,024
General, departments or colleges & buildings, etc.	11,992,780	7,251,499
Faculty and staff compensation	5,749,889	2,849,514
Research	3,272,502	1,817,810
Other	230,411	89,436
	<u>\$ 37,748,707</u>	<u>\$ 20,261,283</u>

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

Notes to Consolidated Financial Statements

For the Years ended June 30, 2011 and 2010

**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, 2011 and 2010, by the purpose to which the use of income is restricted:

	<b>2011</b>	<b>2010</b>
Student aid	\$ 30,784,881	\$ 31,055,293
General use for departments or colleges	17,688,392	16,829,313
Faculty and staff compensation	14,579,670	15,403,451
Research	1,799,998	1,661,239
Buildings, grounds, equipment and facilities	452,546	456,529
Other	251,271	268,020
	<u>\$ 65,556,758</u>	<u>\$ 65,673,845</u>

**Note 9 – Non-Cash Contributions Received**

The Foundation did not receive non-cash contributions during the fiscal years ended June 30, 2011 and June 30, 2010. On the accompanying Consolidated 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, 2011 and 2010, 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, 2011:

<b>2011</b>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Interest on cash and cash equivalents	\$ 31,384	\$ 33,584	\$ -	\$ 64,968
Gain from short-term investments	35,084	-	-	35,084
Interest and dividends on cash and cash equivalents held for long-term investment	-	19,472	-	19,472
Income from marketable securities long-term investment (Note 6)	<u>1,729,997</u>	<u>15,756,026</u>	<u>-</u>	<u>17,486,023</u>
	<u>\$ 1,796,465</u>	<u>\$ 15,809,082</u>	<u>\$ -</u>	<u>\$ 17,605,547</u>

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

Notes to Consolidated Financial Statements

For the Years ended June 30, 2011 and 2010

The following table summarizes the components of net investment income (loss) for the year ended June 30, 2010:

<b>2010</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Interest on cash and cash equivalents	\$ 50,171	\$ -	\$ -	\$ 50,171
Gain from short-term investments	46,531	-	-	46,531
Interest and dividends on cash and cash equivalents held for long-term investment	-	20,669	-	20,669
Income from marketable securities long-term investment (Note 6)	<u>1,685,985</u>	<u>6,499,480</u>	<u>-</u>	<u>8,185,465</u>
	<u>\$ 1,782,687</u>	<u>\$ 6,520,149</u>	<u>\$ -</u>	<u>\$ 8,302,836</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, 2011 and 2010, were as follows:

	<b>2011</b>	<b>2010</b>
Purpose restrictions accomplished:		
General use for departments or colleges	\$ 4,411,563	\$ 5,906,580
Buildings, grounds, equipment and facilities	2,697,306	27,688
Student aid	2,064,873	2,040,060
Faculty and staff compensation	628,428	409,684
Research	366,068	71,328
Other	42,793	55,302
	<u>\$ 10,211,031</u>	<u>\$ 8,510,642</u>

**Note 12 – Expenses**

Expenses of the Foundation reported by natural classification for the fiscal years ended June 30, 2011 and 2010 were as follows:

	<b>2011</b>	<b>2010</b>
Program expenses and grants	\$ 10,977,713	\$ 9,516,051
Salaries	1,647,722	1,520,263
Supplies and services	1,251,752	934,209
Professional fees	230,498	243,629
Travel	108,593	127,125
Depreciation	49,980	49,458
Utilities	5,013	2,680
	<u>\$ 14,271,271</u>	<u>\$ 12,393,415</u>

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

Notes to Consolidated Financial Statements

For the Years ended June 30, 2011 and 2010

**Note 13 - Deposit Accounts and Investments as of June 30, 2011**

<i>Account</i>	<i>Type of Account</i>	<i>Bank Balance</i>	<i>Reconciling Items</i>	<i>Book Balance</i>
<b>Cash - Wells Fargo Bank of New Mexico:</b>				
Operations	Checking	\$ 186,081	\$ (27,500)	\$ 158,581
Program	ACH	91,835	-	91,835
Program	Checking	712,590	(22,864)	689,726
Program	Transfer	313,099	42,373	355,472
Operations – NMSU Sports Enterprises, Inc.	Checking	133,388	-	133,388
<b>Citizens Bank of Las Cruces:</b>				
Program	Checking	31,779	(436)	31,343
Program	Money Market	3,339	-	3,339
<b>Merrill Lynch:</b>				
Operations	Checking	1	(264,483)	(264,482)
Operations	Money Market	25,109	-	25,109
Program	Checking	620,024	(96,327)	523,697
Program	Money Market	2,974,971	-	2,974,971
Bank of America-CD Matured 6/30/11	CD	2,016,089	-	2,016,089
Merrill Lynch (Designated) cleared with interfund due to/from entries	Money Market	-	(3,498,669)	(3,498,669)
<b>Investment Cash - Merrill Lynch:</b>				
Due from for Investments	Money Market	3,313,442	-	3,313,442
<b>Managers:</b>				
Hedge Access	Money Market	1,525	-	1,525
Eagle	Money Market	44,642	-	44,642
McDonnell	Money Market	1,788	-	1,788
Global Templeton	Money Market	7,766	-	7,766
Tradewinds NWQ	Money Market	340,048	-	340,048
Earnest	Money Market	49,012	-	49,012
NWQ	Money Market	20,720	-	20,720
Insight	Money Market	61,461	-	61,461
Fred Alger	Money Market	114,751	-	114,751
Oppenheimer	Money Market	8,089	-	8,089
Venture Capital	Money Market	45,538	-	45,538
Alliance Bernstein	Money Market	91,488	-	91,488
Managed Futures	Money Market	3,263	-	3,263
Invesco REITS	Money Market	155,145	-	155,145
Aletheia (Large Cap Value)	Money Market	68,526	-	68,526
Short Term Investment Fund	Money Market	17,378	-	17,378
UMA Atlanta	Money Market	389,143	-	389,143
Schafer Cullen (Large Cap Growth)	Money Market	352,057	-	352,057
NMSU Business College	Money Market	1,559	-	1,559
Less Cash Allocated to NMSU for AHIT	Held in Trust	(1,471,825)	-	(1,471,825)
<b>Total Cash</b>		<b>\$ 10,723,821</b>	<b>\$ (3,867,906)</b>	<b>\$ 6,855,915</b>
<b>Investments - Merrill Lynch:</b>				
Corporate Stocks and Bonds	Investment	\$ 52,680,331	\$ -	\$ 52,680,331
U.S. Government and Agency Securities	Investment	17,238,689	-	17,238,689
Mortgage-backed Securities	Investment	4,869,746	-	4,869,746
Limited Partnerships - Alternative	Investment	17,810,748	-	17,810,748
<b>Total Investments - Merrill Lynch</b>		<b>92,599,514</b>	<b>-</b>	<b>92,599,514</b>
Real Estate Holdings	Investment	843,131	-	843,131
Short-term Investments	Investment	6,130,644	-	6,130,644
Accrued Investment Interest	Investment	100,736	-	100,736
<b>Total Other Investments</b>		<b>7,074,511</b>	<b>-</b>	<b>7,074,511</b>
<b>Total Investments</b>		<b>\$ 99,674,025</b>	<b>\$ -</b>	<b>\$ 99,674,025</b>

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

Notes to Consolidated Financial Statements

For the Years ended June 30, 2011 and 2010

**Note 13 - Deposit Accounts and Investments as of June 30, 2010**

<i>Account</i>	<i>Type of Account</i>	<i>Bank Balance</i>	<i>Reconciling Items</i>	<i>Book Balance</i>
<b>Cash - Wells Fargo Bank of New Mexico:</b>				
Operations	Checking	\$ 251,283	\$ (13,848)	\$ 237,435
Operations	Wire	1,019	-	1,019
Program	ACH	23,370	-	23,370
Operations – NMSU Sports Enterprises, Inc.	Checking	102,088	(2,605)	99,483
<b>Citizens Bank of Las Cruces:</b>				
Program	Checking	214,450	(8,916)	205,534
Program	Money Market	148,066	-	148,066
<b>Merrill Lynch:</b>				
Operations	Checking	3	-	3
Operations	Money Market	145,201	-	145,201
Program	Checking	1,798,347	(272,496)	1,525,851
Program	Money Market	750,043	-	750,043
Merrill Lynch (Designated) cleared with interfund due to/from entries	Money Market	-	(2,285,475)	(2,285,475)
<b>Investment Cash - Merrill Lynch:</b>				
<b>Managers:</b>				
Hedge Access	Money Market	1,313,531	-	1,313,531
Eagle	Money Market	77,941	-	77,941
McDonnell	Money Market	790,774	-	790,774
Tradewinds NWQ	Money Market	307,516	-	307,516
Earnest	Money Market	84,810	-	84,810
NWQ	Money Market	47,842	-	47,842
Insight	Money Market	102,216	-	102,216
Fred Alger	Money Market	204,418	-	204,418
Oppenheimer	Money Market	8,202	-	8,202
Venture Capital	Money Market	19,397	-	19,397
Alliance Bernstein	Money Market	83,297	-	83,297
Managed Futures	Money Market	131,105	-	131,105
Invesco REITS	Money Market	187,680	-	187,680
Aletheia (Large Cap Value)	Money Market	114,577	-	114,577
Short Term Investment Fund	Money Market	465,199	-	465,199
UMA Atlanta	Money Market	1,005,295	-	1,005,295
Schafer Cullen (Large Cap Growth)	Money Market	273,723	-	273,723
NMSU Business College	Money Market	1,663	-	1,663
Less Cash Allocated to NMSU for AHIT		(1,558,772)	-	(1,558,772)
<b>Total Cash</b>		<b>\$ 7,094,284</b>	<b>\$ (2,583,340)</b>	<b>\$ 4,510,944</b>
<b>Investments - Merrill Lynch:</b>				
U.S. Government and Agency Securities	Investment	\$ 2,620,538	\$ -	\$ 2,620,538
Corporate Stocks and Bonds	Investment	41,309,775	-	41,309,775
Mortgage-backed Securities	Investment	14,205,382	-	14,205,382
Limited Partnerships - Alternative Investments	Investment	16,021,862	-	16,021,862
<b>Total Investments - Merrill Lynch</b>		<b>74,157,557</b>	<b>-</b>	<b>74,157,557</b>
Real Estate Holdings	Investment	1,295,758	-	1,295,758
Short-term Investments	Investment	8,071,482	-	8,071,482
Accrued Investment Interest	Investment	100,106	-	100,106
<b>Total Other Investments</b>		<b>9,467,346</b>	<b>-</b>	<b>9,467,346</b>
<b>Total Investments</b>		<b>\$ 83,624,903</b>	<b>\$ -</b>	<b>\$ 83,624,903</b>



**Note 14 - Fair Value of Assets and Liabilities**

**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. The valuation of these funds is determined by unobservable inputs such as recent purchases and sales, underlying fund holdings, and information provided by fund managers and general partners including: audited financials, unaudited financial statements, and net asset valuations.

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

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2011 and 2010.

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

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

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

**Hedge Fund and Venture Capital Investments**, which are not readily marketable, are carried at estimated fair values as provided by Merrill Lynch. For these investments, Merrill Lynch uses the net asset value (NAV) to evaluate the fair value of the investments. These investments are not immediately redeemable at the reporting date and therefore classified within level 3 of the valuation hierarchy.

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

Notes to Consolidated Financial Statements

For the Years ended June 30, 2011 and 2010

**Note 14 Fair Value of Assets and Liabilities (Continued)**

The following table presents the fair value measurements of Foundation assets recognized in the accompanying Consolidated Statement of Financial Position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2011:

<i>2011</i>	<i>Quoted Prices in Active Markets For Identical Assets Level 1</i>	<i>Significant Other Observable Inputs Level 2</i>	<i>Significant Unobservable Inputs Level 3</i>	<i>Balance as of June 30, 2011</i>
Equity securities				
Large Cap Growth	\$ 5,221,715	\$ -	\$ -	\$ 5,221,715
Large Cap Value	9,101,500	-	-	9,101,500
Small Cap Growth	12,378,048	-	-	12,378,048
Small Cap Value	3,330,910	-	-	3,330,910
Foreign Developed Markets	4,108,354	-	-	4,108,354
Mutual Funds	4,777,064	-	-	4,777,064
Total equity securities	<u>38,917,591</u>	<u>-</u>	<u>-</u>	<u>38,917,591</u>
Foreign corporate stocks and bonds:				
Foreign Developed Markets	4,540,712	-	-	4,540,712
Foreign Emerging Markets	6,532,165	-	-	6,532,165
Private Equity Off Shore	2,689,863	-	-	2,689,863
Total Foreign corporate stocks and bonds	<u>13,762,740</u>	<u>-</u>	<u>-</u>	<u>13,762,740</u>
U.S. Government Securities :				
Residential Mortgage Backed Securities	6,549,773	-	-	6,549,773
Commercial Mortgage Backed Securities	2,211,681	-	-	2,211,681
Corporate Bonds	8,477,235	-	-	8,477,235
Total U.S. Government Securities	<u>17,238,689</u>	<u>-</u>	<u>-</u>	<u>17,238,689</u>
REITs-Mortgage Backed Securities	4,869,746	-	-	4,869,746
	<u>74,788,766</u>	<u>-</u>	<u>-</u>	<u>74,788,766</u>
<b>Nonredeemable securities</b>				
Hedge Fund Investments:				
Equity long/short	-	-	5,027,665	5,027,665
Global opportunities	-	-	9,200,792	9,200,792
Total Hedge Fund Investments	<u>-</u>	<u>-</u>	<u>14,228,457</u>	<u>14,228,457</u>
Domestic Venture Capital Investments	<u>-</u>	<u>-</u>	<u>3,582,291</u>	<u>3,582,291</u>
<b>Total Nonredeemable Securities</b>	<u>-</u>	<u>-</u>	<u>17,810,748</u>	<u>17,810,748</u>
<b>Total</b>	<u>\$ 74,788,766</u>	<u>\$ -</u>	<u>\$ 17,810,748</u>	<u>\$ 92,599,514</u>

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

Notes to Consolidated Financial Statements

For the Years ended June 30, 2011 and 2010

**Note 14 Fair Value of Assets and Liabilities (Continued)**

As mentioned in Note 5, the Foundation holds investments on behalf of the University. The following table presents the fair value measurements of assets held in trust for New Mexico State University, excluding cash, recognized in the accompanying Consolidated Statement of Financial Position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2011:

<b>2011</b>	<b>Quoted Prices in Active Markets For Identical Assets Level 1</b>	<b>Significant Other Observable Inputs Level 2</b>	<b>Significant Unobservable Inputs Level 3</b>	<b>Balance as of June 30, 2011</b>
Equity securities				
Large Cap Growth	\$ 2,126,603	\$ -	\$ -	\$ 2,126,603
Large Cap Value	3,706,691	-	-	3,706,691
Small Cap Growth	5,041,102	-	-	5,041,102
Small Cap Value	1,356,551	-	-	1,356,551
Foreign Developed Markets	1,673,173	-	-	1,673,173
Mutual Funds	1,945,514	-	-	1,945,514
Total equity securities	<u>15,849,634</u>	<u>-</u>	<u>-</u>	<u>15,849,634</u>
Foreign corporate stocks and bonds:				
Foreign Developed Markets	1,849,661	-	-	1,849,661
Foreign Emerging Markets	2,660,299	-	-	2,660,299
Private Equity Off Shore	1,095,477	-	-	1,095,477
Total Foreign corporate stocks and bonds	<u>5,605,437</u>	<u>-</u>	<u>-</u>	<u>5,605,437</u>
U.S. Government Securities :				
Residential Mortgage Backed Securities	2,667,849	-	-	2,667,849
Commercial Mortgage Backed Securities	900,585	-	-	900,585
Corporate Bonds	3,452,220	-	-	3,452,220
Total U.S. Government Securities	<u>7,020,654</u>	<u>-</u>	<u>-</u>	<u>7,020,654</u>
REITs-Mortgage Backed Securities	<u>1,983,260</u>	<u>-</u>	<u>-</u>	<u>1,983,260</u>
	<u>30,458,985</u>	<u>-</u>	<u>-</u>	<u>30,458,985</u>
<b>Nonredeemable securities</b>				
Hedge Fund Investments:				
Equity long/short	-	-	2,048,053	2,048,053
Global opportunities	-	-	3,746,648	3,746,648
Total Hedge Fund Investments	<u>-</u>	<u>-</u>	<u>5,794,701</u>	<u>5,794,701</u>
Domestic Venture Capital Investments	<u>-</u>	<u>-</u>	<u>1,458,929</u>	<u>1,458,929</u>
<b>Total Nonredeemable Securities</b>	<u>-</u>	<u>-</u>	<u>7,253,630</u>	<u>7,253,630</u>
<b>Total</b>	<u>\$ 30,458,985</u>	<u>\$ -</u>	<u>\$ 7,253,630</u>	<u>\$ 37,712,615</u>

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

Notes to Consolidated Financial Statements

For the Years ended June 30, 2011 and 2010

**Note 14 Fair Value of Assets and Liabilities (Continued)**

The following table presents the fair value measurements of Foundation assets recognized in the accompanying Consolidated Statement of Financial Position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2010:

<b>2010</b>	<b>Quoted Prices in Active Markets For Identical Assets Level 1</b>	<b>Significant Other Observable Inputs Level 2</b>	<b>Significant Unobservable Inputs Level 3</b>	<b>Balance as of June 30, 2010</b>
<b>Assets:</b>				
Equities	\$ 28,429,108	\$ -	\$ -	\$ 28,429,108
Limited Partnerships	-	-	16,021,862	16,021,862
Foreign corporate stocks and bonds	9,916,006	-	-	9,916,006
Corporate Debt Securities	2,964,661	-	-	2,964,661
Mortgage-backed Securities	14,205,382	-	-	14,205,382
U.S. Government Securities	<u>2,620,538</u>	<u>-</u>	<u>-</u>	<u>2,620,538</u>
<b>Total Assets Fair Market Value</b>	<u>\$ 58,135,695</u>	<u>\$ -</u>	<u>\$ 16,021,862</u>	<u>\$ 74,157,557</u>

As mentioned in Note 5, the Foundation holds investments on behalf of the University. The following table presents the fair value measurements of assets held in trust for New Mexico State University, excluding cash, recognized in the accompanying Consolidated Statement of Financial Position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2010:

<b>2010</b>	<b>Markets For Identical Assets Level 1</b>	<b>Observable Inputs Level 2</b>	<b>Unobservable Inputs Level 3</b>	<b>Balance as of June 30, 2010</b>
<b>Assets:</b>				
Equities	\$ 12,068,197	\$ -	\$ -	\$ 12,068,197
Limited Partnerships	-	-	6,801,303	6,801,303
Foreign corporate stocks and bonds	4,209,359	-	-	4,209,359
Corporate Debt Securities	1,258,503	-	-	1,258,503
Mortgage-backed Securities	6,030,205	-	-	6,030,205
U.S. Government Securities	<u>1,112,422</u>	<u>-</u>	<u>-</u>	<u>1,112,422</u>
<b>Total Assets Fair Market Value</b>	<u>\$ 24,678,686</u>	<u>\$ -</u>	<u>\$ 6,801,303</u>	<u>\$ 31,479,989</u>

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

Notes to Consolidated Financial Statements

For the Years ended June 30, 2011 and 2010

**Note 14 Fair Value of Assets and Liabilities (Continued)**

The Foundation's interest in limited partnerships represents 18% and 22% of the total investments held by the Foundation at June 30, 2011 and 2010 respectively. These instruments may contain elements of both credit and market risk. Such risks include, but are not limited to, limited liquidity, absence of regulatory oversight, dependence upon key individuals, emphasis on speculative investments (both derivatives and non-marketable investments), and nondisclosure of portfolio composition.

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statement of financial position using significant unobservable (Level 3) inputs:

<b>2011</b>	<b>Hedge Fund Investments</b>		<b>Domestic</b>	<b>Total</b>
	<b>Equity Long/Short</b>	<b>Global Opportunities</b>	<b>Venture Capital Investment</b>	
Beginning Balance at July 1, 2010	\$ 3,286,897	\$ 6,415,664	\$ 6,319,301	\$ 16,021,862
Total Realized Gains	-	858,136	1,391,338	2,249,474
Total Unrealized Gains (Losses)	1,740,768	5,097,037	(4,837,829)	1,999,976
Purchases	-	(6,509,097)	(647,827)	(7,156,924)
Sales	-	3,339,052	1,357,308	4,696,360
<b>Ending Balance at June 30, 2011</b>	<u>\$ 5,027,665</u>	<u>\$ 9,200,792</u>	<u>\$ 3,582,291</u>	<u>\$ 17,810,748</u>

<b>2010</b>	<b>Level 3 Investment 2010</b>
Beginning Balance at July 1, 2009	\$ 12,298,835
Total Realized and Unrealized Gains (Losses) Included in the Statement of Activities	445,453
Purchases and sales, net	3,277,574
<b>Ending Balance at June 30, 2010</b>	<u>\$ 16,021,862</u>

Realized and unrealized gains on investments of \$2,249,474 and \$1,999,976, respectively, all related to assets still held at June 30, 2011, are included in the lines "Net investment income" in the statement of activities for the year ended June 30, 2011.

The following are the commitment and redemption provisions for Foundation assets held:

<b>2011</b>	<b>Fair Value at June 30, 2011</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
<b>Hedge Fund Investments:</b>				
Equity Long/Short	\$ 5,027,665	\$ -	Quarterly	45 Days
Global Opportunities	9,200,792	-	Quarterly	45 Days
<b>Total Hedge fund investments</b>	14,228,457	-		
<b>Domestic Venture Capital Investments:</b>				
Managed Futures	1,495,183	-	Monthly	30 Days
Venture Capital	2,087,108	2,968,750	None	None
<b>Total Domestic Venture Capital Investments:</b>	3,582,291	2,968,750		
<b>Ending Balance at June 30, 2011</b>	<u>\$ 17,810,748</u>	<u>\$ 2,968,750</u>		

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

Notes to Consolidated Financial Statements

For the Years ended June 30, 2011 and 2010

**Note 14 Fair Value of Assets and Liabilities (Continued)**

The University's interest in limited partnerships represents 18% and 22% of the total investments held by the Foundation on behalf of the University (See Note 5), at June 30, 2011 and 2010 respectively. These instruments may contain elements of both credit and market risk. Such risks include, but are not limited to, limited liquidity, absence of regulatory oversight, dependence upon key individuals, emphasis on speculative investments (both derivatives and non-marketable investments), and nondisclosure of portfolio composition.

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statement of financial position using significant unobservable (Level 3) inputs:

<b>2011</b>	<b>Hedge Fund Investments</b>		<b>Domestic</b>	<b>Total</b>
	<b>Equity Long/Short</b>	<b>Global Opportunities</b>	<b>Venture Capital Investment</b>	
Beginning Balance at July 1, 2010	\$ 1,338,626	\$ 2,612,853	\$ 2,573,608	\$ 6,525,087
Total Realized Gains	-	349,486	566,638	916,124
Total Unrealized Gains (Losses)	709,427	2,075,346	(1,970,261)	814,512
Purchases	-	(2,650,904)	(263,835)	(2,914,739)
Sales	-	1,359,867	552,779	1,912,646
<b>Ending Balance at June 30, 2011</b>	<u>\$ 2,048,053</u>	<u>\$ 3,746,648</u>	<u>\$ 1,458,929</u>	<u>\$ 7,253,630</u>

<b>2010</b>	<b>Level 3 Investment Total</b>
Beginning Balance at July 1, 2009	\$ 5,407,521
Total Realized and Unrealized Gains (Losses) Included in the Statement of Activities	45,131
Purchases and sales, net	(1,073,155)
<b>Ending Balance at June 30, 2010</b>	<u>\$ 6,525,807</u>

Realized and unrealized gains on the University investments of \$916,124 and \$814,512, respectively, all related to assets still held at June 30, 2011, are included in the lines "Net investment income" in the statement of activities for the year ended June 30, 2011.

The following are the commitment and redemption provisions for University assets held:

<b>2011</b>	<b>Fair Value At June 30, 2011</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
<b>Hedge Fund Investments:</b>				
Equity Long/Short	\$ 2,048,053	\$ -	Quarterly	45 Days
Global Opportunities	3,746,648	-	Quarterly	45 Days
<b>Total Hedge fund investments</b>	5,794,701	-		
<b>Domestic Venture Capital Investments:</b>				
Managed Futures	608,930	-	Monthly	30 Days
Venture Capital	849,999	1,209,057	None	None
<b>Total Domestic Venture Capital Investments:</b>	1,458,929	1,209,057		
<b>Ending Balance at June 30, 2011</b>	<u>\$ 7,253,630</u>	<u>\$ 1,209,057</u>		



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

Notes to Consolidated Financial Statements

For the Years ended June 30, 2011 and 2010

### **Note 14 Fair Value of Assets and Liabilities (Continued)**

The investments held that are valued at Net Asset Valuations had the following investment strategies per the Foundations investment committee:

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

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

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

### **Note 15 - Endowment**

New Mexico State University Foundation's endowment consists of approximately 1,317 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. At the beginning of fiscal year 2010, an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) became effective for the State to whose law this Foundation is subject.

#### **Interpretation of Relevant Law**

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

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

The composition of net assets by type of endowment fund at June 30, 2011 and 2010, were as shown on the following page.

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

Notes to Consolidated Financial Statements

For the Years ended June 30, 2011 and 2010

**2011**

**Endowment Net Asset Composition by Type of Fund**

**As of June 30, 2011**

<b>2011</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 30,178,184	\$ 65,556,758	\$ 95,734,942
Board-designated endowment funds	<u>3,984,053</u>	<u>-</u>	<u>-</u>	<u>3,984,053</u>
Total funds	<u>\$ 3,984,053</u>	<u>\$ 30,178,184</u>	<u>\$ 65,556,758</u>	<u>\$ 99,718,995</u>

**Changes in Endowment Net Assets**

**For the Fiscal Year Ended June 30, 2011**

<b>2011</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment Net Assets, beginning of the year	\$ 5,307,648	\$ 10,967,969	\$ 65,673,845	\$ 81,949,462
Designation of unrestricted - undesignated funds to cover deficiencies of perpetual endowments	<u>(898,942)</u>	<u>898,942</u>	<u>-</u>	<u>-</u>
Endowment Net Assets after reclassification	<u>4,408,706</u>	<u>11,866,911</u>	<u>65,673,845</u>	<u>81,949,462</u>
Investment Return: Investment Income	-	1,876,572	-	1,876,572
Net appreciation (realized and unrealized)	<u>-</u>	<u>13,879,454</u>	<u>-</u>	<u>13,879,454</u>
Total investment return	<u>-</u>	<u>15,756,026</u>	<u>-</u>	<u>15,756,026</u>
Contributions, Reversions and changes in Donor Restrictions	(424,653)	7,517,751	(117,087)	6,976,011
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(4,962,504)</u>	<u>-</u>	<u>(4,962,504)</u>
Endowment Net Assets, end of year	<u>\$ 3,984,053</u>	<u>\$ 30,178,184</u>	<u>\$ 65,556,758</u>	<u>\$ 99,718,995</u>

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

Notes to Consolidated Financial Statements

For the Years ended June 30, 2011 and 2010

**2010**

**Endowment Net Asset Composition by Type of Fund  
As of June 30, 2010**

<b>2010</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 10,967,969	\$ 65,673,845	\$ 76,641,814
Board-designated endowment funds	<u>5,307,648</u>	<u>-</u>	<u>-</u>	<u>5,307,648</u>
Total funds	<u>\$ 5,307,648</u>	<u>\$ 10,967,969</u>	<u>\$ 65,673,845</u>	<u>\$ 81,949,462</u>

**Changes in Endowment Net Assets  
For the Fiscal Year Ended June 30, 2010**

<b>2010</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment Net Assets, beginning of the year	<u>\$ 5,301,334</u>	<u>\$ 2,740,366</u>	<u>\$ 62,826,351</u>	<u>\$ 70,868,051</u>
Investment Return: Investment Income	-	1,955,918	-	1,955,918
Net appreciation (realized and unrealized)	<u>-</u>	<u>4,584,032</u>	<u>-</u>	<u>4,584,032</u>
Total investment return	<u>-</u>	<u>6,539,950</u>	<u>-</u>	<u>6,539,950</u>
Contributions, Reversions and changes in Donor Restrictions	6,314	6,462,460	2,847,494	9,316,268
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(4,774,807)</u>	<u>-</u>	<u>(4,774,807)</u>
Endowment Net Assets, end of year	<u>\$ 5,307,648</u>	<u>\$ 10,967,969</u>	<u>\$ 65,673,845</u>	<u>\$ 81,949,462</u>

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in unrestricted net assets were \$898,942 as of June 30, 2011. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board.

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

Notes to Consolidated Financial Statements

For the Years ended June 30, 2011 and 2010

### **Return Objectives and Risk Parameters-Note 15 Continued**

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

### **Strategies Employed for Achieving Objectives**

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

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

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

### **Note 16 - Subsequent Events**

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

Subsequent to year end, the investment markets continued to experience significant fluctuations as changes in the global economy affect the US market. 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 OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS 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, Inc. and Subsidiaries (the "Foundation") (a component unit of New Mexico State University) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 25, 2011. 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**

Management of the Foundation is responsible for establishing and maintaining effective 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 Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Foundation's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all

The Board of Regents  
New Mexico State University Foundation Inc. and Subsidiaries and  
Mr. Hector Balderas  
New Mexico State Auditor

deficiencies in internal control over financial reporting that might be deficiencies, 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 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, the New Mexico State Auditor, and applicable federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mess Adams LLP*

Albuquerque, New Mexico  
October 25, 2011



**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, 2011 and 2010

**Status of Prior Year Audit Findings**

2010-01	Internal Control over Financial Reporting	Resolved
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**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, 2011 and 2010**

An Exit Conference was held at the Foundation on October 25, 2011, 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:

Terry Johnson	Chair, Audit Committee, Member, Board of Directors
Dan Socolofsky	Vice-Chair, Audit Committee, Member, Board of Directors
Bobby Rankin	Member, Audit Committee, Member, Board of Directors
Scott Smith	Member, Audit Committee, Member, Board of Directors
Ralph Torres	Member, Audit Committee, Member, Board of Directors
Sandra Ricci	Member, Audit Committee, Member, Board of Directors

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

Tina Byford	Associate Vice President, University Advancement Senior Vice President of Finance and Administration, New Mexico State University Foundation, Inc. and Subsidiaries
Randy Frye	Director, University Advancement Controller, New Mexico State University Foundation, Inc. and Subsidiaries
Dennis Prescott	Vice President, University Advancement President, New Mexico State University Foundation, Inc. and Subsidiaries

Representing Moss-Adams, LLP:

Lisa Todd, Engagement Reviewer

**FINANCIAL STATEMENT PREPARATION**

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

Live, Learn and Thrive.™



New Mexico State University Foundation, Inc. and Subsidiaries

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